DOCUMENT RESUME

ED 279 563 SO 017 729

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TITLE Instructional Activities in Personal Economics.

INSTITUTION Georgia Univ., Athens. Center for Economic Education.

SPONS AGENCY Joint Council on Economic Education, New York, N.Y.
PUB DATE 85
NOTE 83p.
PUB TYPE Guides - Classroom Use - Guides (For Teachers) (052)

EDRS PRICE MF01/PC04 Plus Postage.
DESCRIPTORS Activity Units; *Concept Formation; Course Content; Curriculum Development; Curriculum Guides; *Economics Education; Instructional Materials; Learning Activities; Secondary Education; Teaching Methods

ABSTRACT

This publication, a collection of instructional activities with decision-making as the main focus, is correlated to the "Give and Take" video/film series developed for a consortium of state and provincial education agencies. Presented are concepts related to the risks in taking advantage of economic opportunities, and instructional activities which include case studies, concept lessons, role plays, demonstrations, small group work, and independent study activities. The document contains the following units: (1) "Scarcity and Personal Decision Making"; (2) "Scarcity and Social Decision Making"; (3) "Opportunity Cost"; (4) "Credit"; (5) "Careers and Opportunities"; (6) "Productivity and Human Capital"; (7) "Public and Private Goods, Services, and Resources"; (8) "Taxes"; (9) "Supply and Demand"; (10) "Substitutes"; and (11) "Market Structure." The activities may be used either in conjunction with the "Give and Take" media series or independently. (KWL)

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INSTRUCTIONAL ACTIVITIES IN PERSONAL ECONOMICS*

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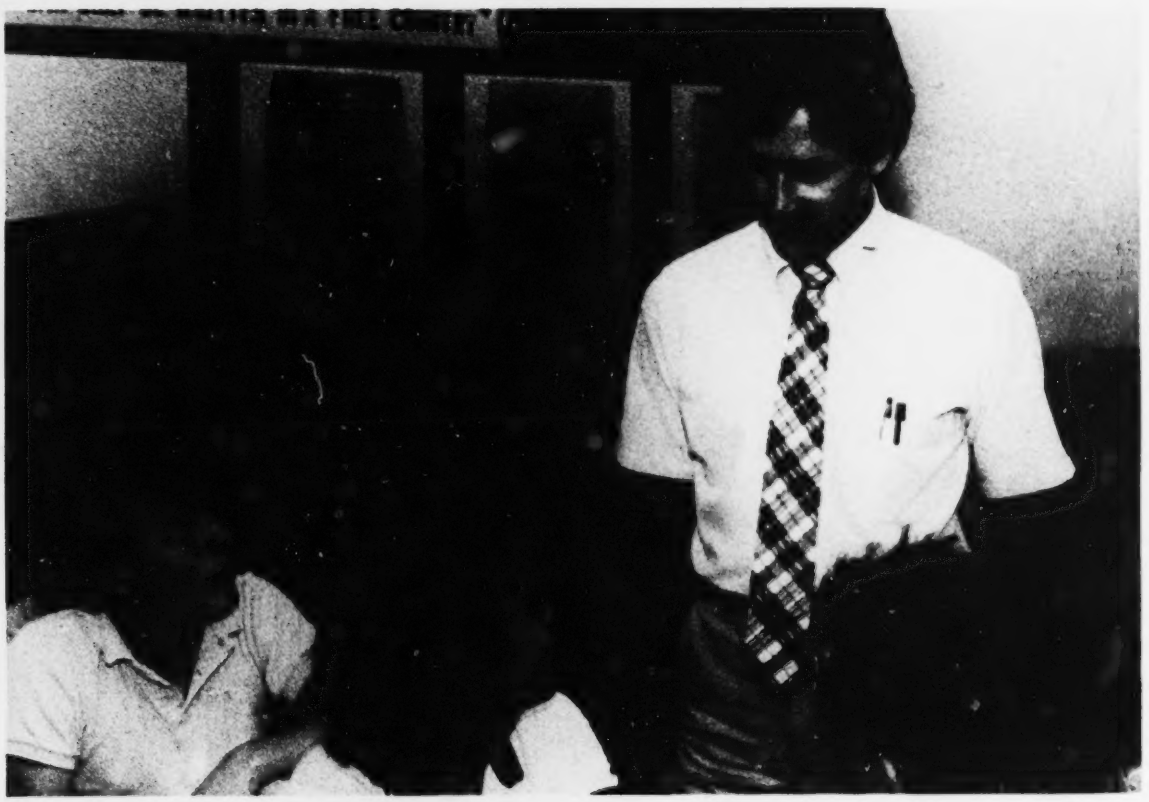

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*WITH APPLICATIONS TO *GIVE AND TAKE*

INSTRUCTIONAL ACTIVITIES IN PERSONAL ECONOMICS

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The Joint Council on Economic Education

New York, New York

This instructional publication project was financially supported by:

The Joint Council on Economic Education
The Georgia Council on Economic Education
The University of Georgia College of Education
Department of Social Science Education

PREFACE

Instructional Activities in Personal Economics is correlated to the Give & Take video/film series developed by the Agency for Instructional Technology for the consortium of state and provincial education agencies organized by the Joint Council on Economic Education and the Canadian Foundation for Economic Education. Each section of this publication corresponds to the individual Give & Take episodes except for the section titled "Supply and Demand." That section corresponds to two Give & Take episodes, "Market Prices: Supply and Demand" and "Changing Market: Supply and Demand."

Decision making is a persistent focus throughout the instructional activities. Concepts related to risk in taking economic opportunities are presented and used in several activities. We believe that explicit attention to risk is a significant innovation presented in this publication. Instructional activities include case studies, concept lessons, role plays, demonstrations, small group work, and independent study activities. They are designed to be used either in conjunction with the Give & Take programs or independently of the series.

Financial support for this instructional publication project was provided by the Joint Council on Economic Education, the Georgia Council on Economic Education, and the University of Georgia Department of Social Science Education. The Joint Council on Economic Education provided funds to obtain the services of one of the authors for the project. Also, the Joint Council funded the initial publication and distribution of the publication throughout the JCEE network. The Georgia Council on Economic Education provided funds for a second distribution of the publication to Georgia educators through the GCEE state network. The University of Georgia Department of Social Science Education provided time for the other author to work on the project and considerable clerical assistance.

Special thanks go to Ms. Lera McManus and Ms. Jo Staples for their typing and proofreading efforts. Ms. Carole VanSickle suggested useful instructional ideas for role playing activities. Dr. David Martin of the Georgia Council on Economic Education and Dr. Marion J. Rice of the University of Georgia Department of Social Science Education helped move the project toward completion.

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* Each section corresponds to an episode in the the Give & Take video/film series except for "Supply and Demand" which corresponds to two episodes related to supply and demand.

SCARCITY AND PERSONAL DECISION MAKING

Activity: Sharon's Dilemma (Case Study)

Time Required: 30 to 50 minutes

Major Concepts: Degree of risk, severity of risk, scarcity, choices, opportunity cost

Instructional Objectives:

(1) Assess the severity of risk for a set of goals.
(2) Assess the degree of risk for a set of goals under differing conditions.
(3) Decide how to reallocate time devoted to the achievement of goals in order to improve the likelihood of achieving the highest possible level of personal satisfaction.

Materials:

(1) "Sharon's Dilemma" case study (pages 10-11)
(2) Risk Taking Chart (page 12)

Rationale:

When a person attempts to achieve a goal, there is always a degree of risk associated with that attempt. The degree of risk is the probability that one's choices and actions will fail and one will not achieve a goal. Something unexpected might happen to prevent achievement of the goal. Perhaps one just doesn't have the ability or resources to achieve the goal. Also, the severity of risk associated with attempting to achieve a goal can vary from high to low. That is, the consequences of not achieving a goal can be more or less serious. Not achieving one goal may cause difficult problems for quite awhile, but not achieving another goal might just be a minor disappointment. This activity encourages students to think systematically about the degree of risk and the severity of risk associated with efforts to achieve goals.

Procedures:

If you use the Give & Take episode "You Choose: Scarcity and Personal Decision Making," discuss the concepts of degree of risk and severity of risk in relation to that episode. Then distribute "Sharon's Dilemma" for further application of the concepts.

If you use "Sharon's Dilemma" independently, define and illustrate the concepts of degree of risk and severity of risk. Introduce the problem facing Sharon in the case study and explain to students that they are friends of Sharon. Sharon needs their help in thinking through her problem. Ask them to think about the degree of risk and the severity of risk associated with each of Sharon's goals.

After students read "Sharon's Dilemma," distribute copies of the Risk Taking Chart to the students. Question students to elicit their beliefs re-

garding how severe the consequences of not achieving each goal would be for Sharon. Question students to elicit their judgments about the degree of risk associated with each goal under the various conditions. Finally, ask students to recommend what they think Sharon should do in order to achieve the most personal satisfaction she can. Other criteria, besides degree of risk and severity of risk, should be used in thinking through Sharon's dilemma; however, the focus is on risk.

The following questions can be used to guide the discussion.

*** Think about each of Sharon's goals. How severe would the consequences be if Sharon did not achieve her first goal? second goal? etc.

*** If Sharon cuts back her activities in relation to a particular goal, what do you think the degree of risk will be for that goal?

*** Sharon could cut back her activities to achieve a particular goal. For example, she could drop some of the advanced courses. She could reduce study time. What else could she do to "cut back" in relation to each goal?

*** If Sharon eliminates all efforts aimed at a goal, what is the degree of risk? Consider each of the six goals individually.

*** Should Sharon stop trying to achieve any of the goals? If so, what criteria should she consider in choosing among the goals?

*** What advice would you give Sharon as she tries to think through her dilemma?

Activity: Opportunity Cost (Concept Lesson)

Time Required: 15 to 20 minutes

Major Concept: Opportunity cost

Instructional Objectives:

(1) State a definition for opportunity cost.
(2) Differentiate between examples and nonexamples of opportunity cost.

Rationale:

Everything you do has a cost even if you don't pay any money for it. You have to give up something to have the opportunity to get or do something else. The concept of opportunity cost will help you understand many of those hidden costs in your life and help you make decisions more carefully.

Procedures:

(1) State a clear definition.

Opportunity Cost - what must be given up when a person makes a choice to use a resource. It is the next best alternative way to use a resource. (Resource

refers to things like time, money, energy, a car, a table, a computer - anything which can be used to satisfy a want or need.)

(2) Present examples and nonexamples of the concept.

A. I could be here teaching this class, home with my family, or swimming at the Y. What is my opportunity cost? You can't know until I tell you the ranking of these ways of using my time. I chose to be here so that is not an opportunity cost. If I believe the next best way of using my time now is to be home with my family, that is the opportunity cost. Swimming at the Y is a good idea but it is my third best alternative, it is not an opportunity cost.

B. Suppose I am trying to decide how to spend the next two weeks. If I would most like to take a vacation trip to the Bahamas (and could afford it), or, secondly, visit an old friend, or, thirdly, earn $1000 at a job during the next two weeks, then what is my opportunity cost? Visiting my friend is the opportunity cost since it is my second choice of the three. The trip to the Bahamas and earning $1000 are not opportunity costs.

(3) Require students to differentiate between new examples and nonexamples. Provide feedback.

A. Fred saved some money from his part time job and decided to buy something he wanted. In order of preference he could afford (a) a new stereo system, (b) to fix up his broken down motorcycle, or (c) to spend a spring weekend in Fort Lauderdale. What is his opportunity cost? (Answer: Fixing up his old motorcycle)

B. Twana decided (a) to spend her ten week summer vacation working at Burgerland as Roscoe the Zany Burger. She wanted (b) to take it easy and spend the summer playing tennis and seeing her friends. However, a few weeks of (c) embarrassment at being Roscoe the Zany Burger would earn her the rest of the money she needed (d) to buy a car. What was the opportunity cost of Twana's decision to work at Burgerland? (Answer: Playing tennis and seeing friends)

(4) Ask students to identify and explain examples of the concept in their lives or the lives of others.
What was the opportunity cost of a decision you made recently?

Activity: Financial Opportunity Cost (Small Group Work)

Time Required: 30 to 50 minutes of class time

Major Concepts: Fixed cost, operating cost, depreciation, interest foregone

Instructional Objective:

(1) Compute the financial opportunity cost of owning a good or satisfying a want or need.

Rationale:

A small group of students can investigate the financial opportunity cost of owning a good or satisfying a want or need. The financial opportunity cost of obtaining a good is the amount of money a person could have if he or she did not have the good. A key assumption is that the second best alternative way to use the money is to keep it for some reason, such as a sense of economic security. Computing the financial opportunity costs of various goods or ways of satisfying a need (e.g., transportation) provides a way of comparing things in terms of one important characteristic - the monetary resources they require to obtain and use them.

Procedures:

Ask students to select a product to investigate. The following is a list of examples:

** used car

** personal computer

** vacation

** stereo system

** vocational school program

** new bicycle

** going to the prom

** new wardrobe

A fairly complex project would be determining the financial opportunity cost of owning and operating a car. The outline of a financial opportunity cost analysis is provided below. Current operating cost statistics can be obtained from the booklet Your Driving Costs, published by the American Automobile Association. The details will vary from person to person depending on factors such as age, driving habits, insurance, and type of car. Analyses for other goods might involve fewer fixed and operating cost categories than an automobile.

Analysis Outline

Description of car:

Original cost:

Amount financed:

Mileage for past 12 months:

FIXED COSTS

Collision insurance

Liability insurance

License, registration fees

Depreciation*

Current year's finance charge on auto loan**

Interest foregone at ?%***

TOTAL FIXED COSTS

OPERATING COSTS

Gas and oil (? /mile)

Routine maintenance (? /mile)

Tires (? /mile)

TOTAL OPERATING COSTS

TOTAL FINANCIAL OPPORTUNITY COST (Total fixed and operating costs)

*Depreciation is based on owning the car some predicted number of years. The original cost is divided by the number of years to compute the annual depreciation. It is an estimate since goods do not depreciate at a steady rate.

**The finance charge is based on a multi-year auto loan which is not paid off early. The total finance charge is divided by the number of years to compute the annual finance charge. It is an estimate since the finance charge will not be payed equally in each of the 3 years. However, if the loan is not paid off early then the finance charge can be spread over the entire loan period meaningfully.

***A real cost of owning and operating an automobile is the interest that would have been earned if the money spent on the car had been invested. The interest rate used should be adjusted to fit current financial conditions.

Activity: Scarcity and Allocation (Demonstration)

Time Required: 20 to 30 minutes

Major Concepts: Scarcity, allocation procedure

Instructional Objectives:

(1) Identify and evaluate alternative allocation procedures for allocating scarce resources or products.
(2) Identify real-life examples of each allocation procedure.

Materials:

Desirable goods such as candy bars, school decals, or coupons.

Rationale:

Scarcity of resources, goods, and services is a pervasive fact of life. Distributing a scarce, valued good in class using a procedure the students choose is a quick and motivating way to make the point and demonstrate that an allocation procedure must be devised in all social situations when scarcity exists, as it almost always does.

Procedures:

Bring a desirable good to class such as a few candy bars, copies of a popular magazine, coins, school decals, or coupons from a fast food restaurant. Be certain that there are fewer items than the number of students likely to want them. Announce to the students that you have a few candy bars, for example, and want to distribute them. However, there are not enough to go around.

Write the following definition of scarcity on the chalkboard at the beginning of the activity. "Scarcity is a condition that exists whenever wants are greater than available resources." For individuals, scarcity results from limitations on the supply of personal resources like time, energy, space, or money. For society, scarcity results from limited productive resources such as land, labor, and capital goods, which have alternative uses.

Tell the students you want suggestions about how to distribute them. Also, tell them that they will choose the procedure by voting. The student who suggests the most popular procedure will receive a candy bar as a reward.

As students make suggestions, write the ideas on the chalkboard and briefly discuss the good and bad points about each idea. Among the suggestions will be: (1) a lottery; (2) first come - first served; (3) an auction; (4) a contest; (5) greatest need; (6) a physical characteristic like age or weight; (7) equal division; and (8) an authoritative decision-maker such as the teacher. Before voting, note that all the general ways humans have used to allocate scarce, desirable goods, services, and resources have been suggested.

The traditional, custom-based economy might use age, sex, kinship, or strength. Identify customary ways (such as suggestions 1, 2, 6, and 8 above) goods, services, and resources are distributed in our society. Ask students: "Do you ever feel you must give things to people you don't care about very much?" Examples are gifts for graduation, weddings, charities, the mail or newspaper carrier at Christmas, and relatives who are not favorites.

The socialistic economy strives to distribute scarce goods, services, and resources equally or at least to meet everyone's needs. Identify socialistic ways (such as suggestions 5 and 6 above) in which scarce goods, services, and resources are distributed. Examples are the way food is distributed within a family, various welfare programs such as the food stamp program, public school

education, public transportation, and city parks and swimming pools.

The market economy distributes scarce goods, services, and resources on the basis of voluntary exchange of valued goods, services, and resources. Examples are exchanging time on a job for money, money for a car, or a used stereo outfit for a piece of furniture. In a money-using economy, a price is set by the interaction of buyers and sellers such that the quantity demanded roughly equals the quantity supplied. Identify market-oriented examples (such as suggestion 3 above) in which scarce goods, services, and resources are distributed.

Our economy is not solely a market economy. No other actual economy is a pure type either. Ask students to identify examples of combination allocation procedures. For example, tickets for a big school football or basketball game are relatively inexpensive and there are many more people wanting them than there are tickets available. Consequently, a traditional allocation procedure, first come-first served, is used to complete the allocation. Those people who arrive the earliest or stand in line longest get the tickets. It is a combination procedure because some people decided not to get tickets because the price was too high for their taste or income. They were excluded from the market by the price mechanism.

Ask students to vote for one procedure. Reward the student who suggested the most popular alternative. Distribute the remaining goods on the basis of of the most popular allocation procedure.
(Adapted from an activity in the Instructor's Manual for Economics: An Introduction to the World Around You by Dennis J. Weidenaar and Emanuel Weiler, Addison-Wesley Publishing Company, Reading, MA, 1983, 3rd edition.)

Activity: Time Log (Independent Study)

Time Required: 30 to 50 minutes of class time

Major Concepts: Time as a scarce economic resource, resource allocation, life style.

Instructional Objectives:

(1) Identify categories of activities and evaluate the adequacy of the amount of time allocated to them.
(2) Identify key personal goals and the activities intended to help achieve them.

Materials:

(1) Time Log (page 13)
(2) Summary Analysis Sheet (page 14)

Rationale:
Time is a scarce, fixed resource. The effective use of time is a prerequisite for satisfying living. This activity can sensitize students to the ways they use their time, help them evaluate how well they use their time, and consider alternative time allocations.

Procedures:

Discuss with students the concept of a lifestyle as a pattern of values, goals, and activities. In order to live a particular lifestyle, one's time must be spent on (or allocated to) activities which will enable one to achieve important goals consistent with ones' values. Ask students to consider the following time allocations for one week (168 hours) and identify some of the goals and values each person might hold.

Activity Categories	A (Age 38)	B (Age 17)	C (Age 29)
Time with family members	12	8	3
Care of children	12	0	4
Financial tasks	5	1	10
Household maintenance	20	10	5
Health/fitness activities	1	18	7
Hobbies, personal interests	0	10	7
Time with friends	0	12	4
Sleep/rest	52	49	43
Eating/grooming	16	14	15
Job	40	20	62
TV/reading	6	21	3
Miscellaneous	4	5	5
	168	168	168

Are these time allocations good or bad? You can't tell unless you know what each person is trying to accomplish with his or her time, although some time allotments might suggest problems. Time is a scarce resource. If a person usually spends it on activities aimed at his or her important goals, then he or she will probably live a satisfying life. If not, then he or she probably will experience a lot of frustration.

This activity will enable students to find out where their time goes and provide a basis for thinking about possible improvements in time allocations. Rather than keep a 24 hour time log, students might target certain times of the day, for example, after school from 3:00 to 11:00 and/or the weekend. Ask them to do the following: (1) Identify goals they want to accomplish at this point in their lives; (2) Identify categories of activities in which they engage (Try to keep the "miscellaneous" category from being too large); (3) Make copies of the sample Time Log on page 13 or make their own charts; (4)

Keep a record for a week since time spent varies a lot from day to day for some activity categories; (5) Fill out the Summary Analysis Sheet (page 14); and (6) Write a brief essay at the end of the week about how satisfied they are with their time allocations and how they might improve their time allocations.

SHARON'S DILEMMA

Sharon's senior year was just beginning and it was going to be a great year. She was achieving her major goals for high school and was having a great time. She was taking some advanced courses in science, English, and social studies and getting top grades as usual. She was a top candidate for two college scholarships. She was playing first flute in the concert band. She was a member of several clubs, an officer in two of them, and assistant editor of the school newspaper. She had been elected vice president of the student council. Sharon was a swimmer on the women's team. She knew she had a shot at breaking the district butterfly and backstroke records, maybe even the state records. In addition, her social life was in good shape!

Many people who knew Sharon wondered how she did it. Besides being smart, talented, and friendly, Sharon was organized and a very hard worker. She had it all until a rainy Wednesday afternoon in mid-October.

Sharon's mother, Mrs. Jackson, was driving to school to pick up Sharon after an Honor Society meeting when a child on a bicycle suddenly rode into the street from behind a car. Mrs. Jackson swerved and rammed a tree. She was badly injured. It was not until the next day that Sharon, her father, and brothers, (Bill (age 13) and Jeremy (age 10), knew that Mrs. Jackson would live and would almost certainly recover completely. Even though Mrs. Jackson was very fortunate, it would take several months of bed rest and physical therapy to make her recovery complete.

The rest of the Jacksons were faced with a serious problem: Mrs. Jackson was out of commission until next summer. Fortunately, the Jacksons were in good financial condition and the loss of income from Mrs. Jackson's part-time job would be manageable if expenses were cut back. However, Mrs. Jackson was the mainspring of the household and the work she did to keep the family and home operating smoothly would have to be accomplished somehow while she recovered.

Mr. Jackson and the three children held a family meeting to discuss the problem shortly before Mrs. Jackson came home from the hospital. The various tasks Mrs. Jackson routinely accomplished were divided among the four of them. Being the eldest and most experienced, Sharon ended up with some of the bigger tasks like a large share of the food preparation and laundry.

It only took two days for Sharon to realize the additional work on top of her regular school activities resulted in an impossible work load. Something had to give or she would soon collapse. If she collapsed, she would not accomplish any of her goals. She sat down with paper and a pencil and sketched out her situation. One of her goals was not open for reconsideration: She wanted to help her mother get well. Keeping the household running smoothly would be a big help. However, she had five other goals to consider.
(1) She wanted to show herself that she could break those swimming records and she wanted to help the swim team this year. She and her coach had worked hundreds of hours during the past three years for the chance.
(2) She wanted to earn a scholarship to college. Family finances were going to be pretty tight and a scholarship would help. She needed to keep her grades up to have a good chance.
(3) She wanted to make her high school a better place to be a student through

her work on the school newspaper and student council. She knew her personal dedication and enthusiasm were key ingredients in upgrading the efforts of the newspaper staff and council members.
(4) She wanted to do very well in college next year. She was going to be the first member of her family to go to college and she wanted them all to be proud of her. Taking the advanced high school courses all year should help.
(5) She wanted a good social life with time for dating and fun with her friends. She had the feeling she was going to need her friends more than ever this year.

How should Sharon reorganize her life? What advice would you give her? What ideas or factors should she consider when she is deciding what to do?

RISK TAKING CHART

Risk Factors / Goals	Severity of Risk	Degree of Risk if Current Efforts to Achieve This Goal Are:		
		Continued	Cut Back	Ended
1. Break swimming records				
2. Earn scholarship				
3. Make school better				
4. Do well in college				
5. Enjoy social life				

Name _____ Date _____

Activity Categories

1. _____	6. _____	11. _____
2. _____	7. _____	12. _____
3. _____	8. _____	13. _____
4. _____	9. _____	14. _____
5. _____	10. _____	15. _____

Time	C	Activity	Time	C	Activity	Time	C	Activity
6:00 to 6:30			12:00 to 12:30			6:00 to 6:30		
7:00			1:00			7:00		
7:30			1:30			7:30		
8:00			2:00			8:00		
8:30			2:30			8:30		
9:00			3:00			9:00		
9:30			3:30			9:30		
10:00			4:00			10:00		
10:30			4:30			10:30		
11:00			5:00			11:00		
11:30			5:30			11:30		
12:00			6:00			12:00		

TIME LOG SUMMARY ANALYSIS SHEET

Allocation	MON	TUES	WED	THUR	FRI	SAT	SUN	SUMMARY
Category	Time	Time	Time	Time	Time	Time	Time	Total Time
1.								
2.								
3.								
4.								
5.								
6.								
7.								
8.								
9.								
10.								
11.								
12.								
13.								
14.								
15.								

Activity: Fireworks and Freedom (Case Study)

Time Required: 50 minutes

Major Concepts: Decision making, trade-offs, government intervention

Instructional Objectives:

(1) Identify alternative solutions to a value conflict.
(2) Identify criteria with which to evaluate the alternative solutions to a value conflict.
(3) Evaluate and choose a solution to a value conflict.

Material:

(1) "Fireworks and Freedom" case study (pages 18-20)

Rationale:

Every society constantly contends with conflicts between desirable values. Conflicts over political, social, and economic values often require some kind of governmental response. This case study dramatically presents a community facing a conflict between personal freedom and government action to promote public safety. Students can learn to clarify public issues using a decision-making grid through this and similar social decision-making activities.

Procedures:

Identify some public issues and discuss values in conflict illustrated by the case study. Clarify how strongly people feel about their positions and how two or more very desirable goals or values can be mutually exclusive. Introduce the case study "Fireworks and Freedom" to students and tell them to be prepared to suggest alternative ways to solve the problem in the case study. After students read the case study, ask questions to verify that students understand the problem. Use either a whole class discussion or small group discussions to generate alternative solutions and additional evaluative criteria. Discuss and evaluate the alternative criteria and take a vote on the solution. Structure the discussion by using a decision-making grid on the chalkboard.

After a group decision is made, test the students' thinking by presenting analogous situations and see if they will extend their principle to new situations. If fireworks are banned or access to them severely restricted, for example, then ask if governments should force people to wear seat belts in cars. Most people do not wear seatbelts. If personal freedom is strongly supported over public safety in the vote, present an analogy such as whether speed limits should be abolished in favor of personal freedom. Clarifying how the principle either does or does not apply in the new but similar situation will sharpen students' decision-making skills and emphasize the complexity of public issues.

Activity: Value Conflicts (Concept Lesson)

Time Required: 30 minutes

Major Concepts: Value conflict, decision making

Instructional Objectives:

(1) Rate values as very important, important, neutral, or unimportant.
(2) After hearing a description of a new consumer protection law, state a position in favor of or against approval of the law.
(3) Locate the values on the attitude survey which support the stated position in objective (2).
(4) Find values on the attitude survey which are important but which conflict with the decision in objective (2).
(5) Discuss these value conflicts and draw a conclusion about their inevitability.

Material:

(1) Attitude Survey (page 21)

Rationale:

Value conflicts are inevitable and occur within people as well as between them. In order to participate effectively in social decision making, citizens must be able to clarify intrapersonal value conflicts and resolve the conflict either by choosing one value over others or devising an acceptable trade-off. This activity highlights the nature of intrapersonal value conflict.

Procedures:

Give each student an Attitude Survey and ask each student to fill it out honestly. Then read the following proposal for legislation to the class:

> "All vehicles that are licensed to use public roads must be equipped with a device called a governor which would restrict the speed of the vehicle to a maximum of 55 mph. No vehicle will be issued a new license until the governor is installed, and all new vehicles must include the governor as original equipment."

Ask the students to cast a vote at the bottom of their Attitude Survey either for or against the proposal. Ask them to list the values that they consider to be important or very important which justify their decisions. Have them look back at the survey to see if there are any values that are important to them that their decision violated. Stimulate a discussion of these intrapersonal value conflicts. Try to get them to realize and express the inevitability of these conflicts and that they are normal. Have them suggest ways to deal with these conflicts within themselves. Have students suggest other situations where there may be intrapersonal value conflicts (Examples are: school dress code, Supreme

Court bar on capital punishment, legislation banning saccharin, reduction of the workweek to thirty hours, abolition of prayer in schools, mandatory participation in the Social Security system, racial or sexual discrimination, and occupational safety and health regulations).

Activity: Social Goals and Values (Role Play)

Time Required: 30 to 50 minutes

Major Concepts: Social/economic values - growth, stability, justice, security, efficiency, competition, freedom, property

Instructional Objectives:

(1) Identify situations in which social/economic values are in conflict.
(2) State arguments regarding a value conflict from different perspectives.

Rationale:

Social/economic values are often in conflict. Either one value must be chosen over another or trade-offs between the values must be made. These conflicts are generic; they recur over time and old solutions must be reconsidered and modified or reapplied. Practice in clarifying such issues will prepare students to participate more effectively in social decision making as citizens.

Procedures:

Explain to students that trade-offs are necessary even where values are concerned. Point out that some of the things that we as a society value in our economic system are: Freedom of enterprise for producers, consumers, and workers; economic growth; efficiency; competition; private property; stability; justice; and security. These values often come into conflict with each other. For example, enforcing environmental quality standards limits an entrepreneur's freedom of choice. Giving a utility company monopoly status for the sake of efficiency limits competition. Taxing workers for Social Security limits their choices of how to spend their money. Examples of these conflicts are practically limitless.

Divide the class into groups of four and have each group identify a situation in our economy where economic values are in conflict. Periodicals routinely report such conflicts. Then divide each group in half and have the students debate the merits of their own particular situation from the value perspectives of deeply involved participants. Have each group report the essence of its arguments to the class at the end of the debate.

Fireworks and Freedom

The year is 1920 and the small midwestern community of Traylor is facing a local issue which will cause a great deal of dissension among the townspeople. A little background on these people and this community is necessary before telling you about the conflict. Traylor is a small town of about 8,000 inhabitants. The people who live there are hard-working and law-abiding citizens and they have a particularly strong love of freedom.

Most of the citizens of Traylor are descended from rugged frontiersmen who shunned the security of towns and civilization in the East to move to the West and farm their own plots of land. These original Traylorites suffered untold hardships to gain and maintain their freedom and independence: clearing the land to make it livable and productive; battling the harshness of nature at almost every turn; defending their land against the Indians as well as the cattlemen who saw the farmers as a threat to their open-range cattle business; creating new solutions to new problems; and learning to laugh at defeat by starting all over and creating a good, free life no matter what the odds. As a matter of fact, almost every family in Traylor has one or two family legends which have been carefully preserved through the generations which portray their family's stubborn quest for freedom.

If you visited with the Williams family, for example, it wouldn't take too long before they would tell of Edward and Margaret Williams who came to Traylor before civilization got there. They fought what can best be described as incredible odds to establish their homestead. Food was scarce at first and the work was back-breaking and lasted from dawn till dusk. Several times during the first five years it looked as if the family might have to give up its dream of freedom and independence. But they didn't, not even when Margaret fell victim to a terrible fever which eventually brought her death. Though crushed, Edward and his 12 children decided to stay on their homestead and keep fighting. The lure of freedom and the dream of owning and working their land was too strong to allow them to quit.

Just when things began to go their way and their land started to be productive enough to sustain them with necessities and a few comforts as well, disaster struck again. It was 1843 and that was the year that Mother Nature seemed particularly vengeful. A severe drought followed by tornadoes all but wiped out the Williams homestead. But Edward and his kids could not be stopped. They rebuilt and worked even harder to achieve their dream.

Every new generation of Williams cut their teeth on this story about old Grandpa Williams' dream. You just couldn't be a Williams without having a deep and abiding love of freedom. The community's love of freedom and independence was an important factor in the life of the town even in 1920.

Life was not nearly as tough in 1920 as it had been in frontier days, but the blood of the early pioneers ran strongly in the veins of these Traylorites. Into this context came a tragedy. In May of 1920 a group of children found some fireworks and went to the Smiths' barn to play with them. A combination of carelessness and lack of knowledge caused the disaster. The fireworks exploded prematurely, causing an explosion which killed five of the nine children, injured three others, and started a fire which destroyed the Smiths' barn and home.

As you might expect, a movement developed which had as its purpose to outlaw the sale and use of fireworks. Though the issue may seem a small one to you, local passions made the issue a hotly debated topic. The town council met to consider both sides of the issue.

Jed Williams spoke first, "It's my opinion that the more often we have the government looking over our shoulders and telling us not to do something, the less free we are. Now, I'll admit that the incident the other night was a terrible tragedy but I don't think we should be in such a hurry to sacrifice our freedom from government intervention in our lives in order to try to prevent a repeat of the tragedy. Sure, fireworks are a small thing, but establishing a precedent in which we allow the government to regulate an aspect of our daily lives is the dangerous part. This council must not sacrifice the people's right to live their lives as they please. If anything at all is to be done about fireworks, it should be some other measure which is more compatible with the American tradition of free choice."

The small council room was crowded that night and several people indicated approval of Jed's remarks. Most of these, however, fell silent as Roger Smith rose to speak. "I think I love freedom as much as anyone in this room, but I stand before you today a ruined man. My son and four other children are dead and my home and livelihood are gone. Nothing that we can do can bring back little Jason but hopefully we can prevent it from happening again. It is the government's responsibility to protect the people. As long as fireworks can be sold and used in this town, we are not safe. Such a small price to pay for the increased protection we would have if fireworks were banned! I would give up a great deal more of my freedom just to be able to hold my son on my lap one more time. This is not the time to consider theoretical questions about government intervention; it is the time to act in a positive manner to protect our citizens."

Emotions were running high and order broke down in the meeting hall as people argued among themselves. The mayor finally restored order. "Obviously, this decision cannot be made tonight. Over the next week I want each of you to consider carefully alternative courses of action to solve this problem. At next week's meeting we will evaluate each alternative according to three criteria: safety, freedom, and no additional cost (since our small budget cannot be expanded to meet this problem). We will place all the alternatives on a decision-making grid like this and then make a decision."

The mayor's decision-making grid looked like this:

Criteria

Alternatives	Freedom	Safety	No extra cost to town gov't	Other criteria?
1.				
2				

3. _____

4 _____

The meeting was adjourned and the citizens began to consider the alternatives. Now see if you can develop some alternative solutions to this problem to put on the grid. The first two alternatives, of course, are the two discussed at the meeting. Identify additional criteria, too, if you wish. Make a collective decision based on your evaluation of the alternatives. Remember that there will probably be some risk involved with any decision. Describe the risk in each case.

Attitude Survey

Value	Very Important	Important	Neutral	Unimportant
1. Sanctity of life	____	____	____	____
2. Equality of opportunity	____	____	____	____
3. Personal freedom	____	____	____	____
4. Financial security	____	____	____	____
5. Safety	____	____	____	____
6. Beauty	____	____	____	____
7. Solitude	____	____	____	____
8. Creativity	____	____	____	____
9. Productive work	____	____	____	____
10. Harmony	____	____	____	____
11. Silence	____	____	____	____
12. Religious beliefs	____	____	____	____
13. Conservation	____	____	____	____
14. Education	____	____	____	____
15. Making money	____	____	____	____
16. Stability	____	____	____	____
17. Variety	____	____	____	____
18. Friendship	____	____	____	____
19. Justice	____	____	____	____
20. Efficiency	____	____	____	____
21. Security	____	____	____	____
22. Relaxation	____	____	____	____
23. Retribution	____	____	____	____
24. Equity	____	____	____	____
My vote on the proposal (Circle one)	FOR	AGAINST		

Activity: Moving, Savings, and Opportunity Cost (Case Study)

Time Required: 20 minutes

Major Concepts: Opportunity cost, saving

Instructional Objectives:

(1) Identify the opportunity cost of a family decision.
(2) Identify the risk of a family decision.

Rationale:

Every decision to do something has a cost, namely the loss of the next best alternative. This case study focuses on a couple's decision to move in order to generate savings to invest in a small business. A key aspect of personal economic decision making is identifying opportunity costs and assessing risks. This case study provides opportunities to practice both.

Procedures:

Explain to students that an opportunity cost of a choice is the next best way of using one's resources (e.g., time, money, machinery, land). Illustrate the concept with examples. A job at a Pizza Hut and its benefits could be the opportunity cost of taking a job at McDonald's. Spending one's time rehearsing for a school play could cost a B (now a D) in math due to less study time. Tell students the following story about Robin and Mike. Ask them to identify the opportunity cost of their decision (i.e., the benefits of living in the first house) to move to a smaller house.

Robin and Mike are a young couple who recently married. They found a nice house to rent and lived there for several months. As time passed, however, Mike decided that he would like to establish his own jewelry-making business. His job in a metal heat treatment plant was very demanding physically, the conditions of work were poor, and there was no challenge to it. So Mike enrolled in evening classes in jewelry-making at a local technical school. Robin was also employed and things were financially adequate for them.

Both of them realized that if they were to be in a financial position to start their own business in the near future, they would have to move into a smaller house and put the money they saved on rent with their savings. They found one which was cheaper, but it was also considerably smaller and less comfortable and was located in a less attractive part of town. The new house was so small that there was no room for a washing machine and dryer which meant trips to the laundromat for the two. Also they would have to put the freezer that Mike's parents gave them for a wedding gift into storage since the small house wasn't big enough for it. The two discussed the problem extensively and decided to move into the smaller house.

Ask the following questions. What was the opportunity cost of moving to the smaller house? If they had decided to stay in the larger house, what

would have been the opportunity cost? It probably would have been the opportunity to start a jewelry-making business. What will the opportunity cost be of starting a jewelry-making business for Mike? It will be the metal heat treating job and its benefits.

By moving, what resources are Robin and Mike risking? At least, they are risking their time due to the necessity of going to the laundromat. Spending their time this way might not actually result in a satisfying and profitable jewelry making business. If they start a jewelry-making business, what economic goal achievement will they risk? They will risk the financial security they have achieved in their present jobs. Of course they hope to increase their financial security through their own business.

Activity: Opportunity Cost of Saving (Concept Lesson)

Time Required: 15 to 20 minutes

Major Concepts: Opportunity cost of saving, risk of not saving

Instructional Objectives:

(1) Analyze the opportunity cost of saving.
(2) Analyze the opportunity cost and risk of not saving.

Rationale:

Saving is necessary to achieve goals and for the sake of financial security. In this activity, students identify the kinds of things they must give up in order to save. They also identify some of the things they must give up if they choose not to save (i.e., being able to manage unpredictable and costly problems).

Instructional Procedures:

The opportunity cost of saving. Ask students to pretend that they have a part-time job in which they earn $100 a week. Have each one make a list of the ways they would spend their money. Have them be very specific, listing exact amounts they would spend different ways. Then ask them to pretend that they have decided to save half of their income instead of spending it all and have them make up a new budget which includes $50 of savings and only $50 of spending. It then should be easy for them to identify the opportunity cost of their decision to save. Have them analyze their list of "costs" by asking if the things given up (the costs) were worth sacrificing for savings. For example, if a student has to give up going to movies in order to save, the cost is probably acceptable but if he has to sacrifice buying lunch, or repaying a loan, or paying for expensive dental care, the cost may be too high.

The risk of not saving. Students might question in the course of the preceding activity why they would want to save half of their money when it means paying these "costs" to have the savings. Discuss with them the element of risk present in not saving. If they don't save, they may be unprepared to handle an emergency or catastrophe that may occur (e.g., long-term illness, death of parents, loss of property through fire or theft).

Also, without savings they may be risking the attainment of a goal that is important to them (e.g., going to college, buying an expensive car, buying a house, getting married, taking a trip). In light of this discussion, students might want to change their previous decisions regarding whether the "costs" were worth the savings account. Discuss their lists of opportunity costs again in this regard.

Activity: Different Ways of Savings (Small Group Work)

Time Required: 50 minutes

Major Concepts: Savings instruments, compound interest

Material:

(1) Your Savings and Investment Dollar (Money Management Institute, Household Finance Corporation, Prudential Plaza, Chicago, IL 60601)

Instructional Objectives:

(1) Describe the benefits and requirements of alternative savings instruments.
(2) Assess the personal risks of alternative savings instruments.

Rationale:

The benefits and risks of alternative savings instruments vary greatly. This activity will enable students to assess these benefits and risks. Also, students will see how unexpected events can affect the outcomes of savings plans and emphasize that "secure" savings do not necessarily equal "personal security."

Instructional Procedures:

Divide the class into groups of two or three. Ask the students to pretend that they have been saving $50/week for 5 years in a 5 1/4% savings account. Ask them how much money they would have now. Give them the following booklet: "Your Savings and Investment Dollar." Tell students to read the booklet, write down exactly how they will invest money and write down reasons why they chose each option. At this point, it would probably be a good idea to invite a banker in to answer specific questions about the different accounts at his banks (e.g., whether they have certain minimums, whether they have the ten-day grace period, whether you can get your money if you try to withdraw it before the maturity date). Then have the students actually "invest" their money there.

The next day tell them it is three months later and give them a situation card with a problem to handle. Make about 1/3 of the situations good (e.g., you got a raise, you paid off one of your bills) about 1/3 which say "No change has occurred in your circumstances," and 1/3 bad (e.g., you got laid off, you have long-term illness, there was a death in the family). Explicitly state how much money is needed for each occurrence. The next day tell them it is three months later than yesterday and have each group figure

how much money it now has in savings. This helps them master the mathematical skills of figuring rate of return. Then have them analyze the risk they took and whether or not it paid off.

Activity: The Effects of Saving on the Economy (Independent Study)

Time Required: 50 minutes if done in class

Major Concepts: Investment, economic growth, savings rates

Instructional Objectives:

(1) Describe savings rates in the United States and other countries.
(2) Identify factors which can affect savings rates.
(3) Describe a relationship between national savings rates and national wealth.

Material:

(1) "The Effect of Saving on the Economy" reading (pages 26-27)

Rationale:

Declining rates of savings in the United States have posed a significant economic problem. This activity will help students see the relationship between national savings rates and economic growth and wealth. It will also emphasize the role of public policy in encouraging and discouraging saving.

Procedures:

Duplicate and distribute the handout "The Effect of Saving on the Economy." Discuss the answers when students complete the article.

The Effect of Saving on the Economy

We've already discovered that it is important for individuals to save some money for future consumption. But, did you know that the availability of savings is vital to the economy as a whole as well? You see, when individuals save money, businesses in turn borrow that money to buy new equipment, build a new plant, fund research in the development of new products, or something else. In any case, the investments that businesses make then create new jobs which in turn causes economic growth. Economic growth is important since it means a "bigger piece of pie" for everyone. So, when individuals save money, a chain reaction is started which eventually increases everyone's economic well-being.

With this information in mind, look at these two tables, think about what they are saying, and answer the questions. Note that Table 1 uses Disposable Personal Income while Table 2 uses Gross Domestic Product to compute percentages.

Questions:

1. What has been happening to the percent of savings in the U.S.?
2. What negative effect could this have on the economy?
3. Why do you suppose this percentage has been decreasing from 1973 to 1981?
4. The government could increase the proportion of savings by raising interest rates, but what effect would this have on the demand for loans? What effect would this have on the economy?
5. What other things might the government do to encourage people to save? (Hint: Think along the lines of the IRA's - Individual Retirement Accounts). Try to come up with as many alternatives as possible, even if some might have some drawbacks.
6. Looking at Table 2, does the percent of savings seem to be related to how rich or poor a country is?
7. Knowing what you know about Japan's economy, were you surprised to see Japan at the top of the list?

Table 1

U.S.A.: Saving as a Percent of Disposable Personal Income

1973	8.6%
1974	8.5
1975	8.6
1976	6.9
1977	5.6
1978	5.2
1979	5.2
1980	5.6
1981	5.3

Source: Department of Commerce

Table 2

Savings Rates for Different Countries in the World

Country	Total Savings as a Percent of Gross Domestic Product
Japan	23.1
Finland	20.1
Switzerland	18.9
Netherlands	18.8
Australia	18.3
France	17.9
West Germany	17.5
Belgium	16.7
Norway	16.4
Fiji	16.0
Venezuela	15.7
Spain	15.2
Italy	15.1
Sweden	14.9
Luxemburg	13.4
South Africa	13.4
Korea	12.5
Ireland	12.3
Canada	12.0
Portugal	11.8
United Kingdom	11.5
Denmark	10.3
Philippines	10.2
Honduras	10.1
Jamaica	9.8
Panama	9.2
Malaysia	8.4

Source: United Nations Statistical Year Book

Activity: Opportunity Cost of Buying with Credit (Concept Lesson)

Time Required: 20 to 30 minutes

Major Concepts: Opportunity cost of credit, finance charge, interest, annual percentage rate (APR)

Instructional Objectives:

(1) Identify the opportunity cost of buying goods and services with credit.
(2) Explain the meanings of interest charge, finance charge, and annual percentage rate (APR).

Rationale:

In order to use credit effectively, a consumer needs a long-range perspective. Considering the opportunity cost of a credit purchase is the key to that long-range perspective. In this activity students will identify likely future purchases which will be given up in order to make a credit purchase now. Also, they will practice explaining key concepts related to consumer credit.

Procedures:

Ask students to define opportunity cost and to think about what the opportunity cost of buying with credit might be. They should come up with the idea that you have to give up a future purchase when you buy on credit as well as some other purchase equal to the amount of interest paid. Pose the situation that each student now has $1000 of credit for consumer purchases. Ask each student to list ways they could use that credit. Present a monthly repayment plan to the credit-giving agency including an 18%-21% APR. Ask students to identify additional goods and services they probably would want during the repayment period. Discuss the opportunity cost of their credit purchases. Also, discuss and illustrate the inflationary effect on one's personal financial situation of creating and maintaining a debt load through repaying and recharging. Encourage students to identify criteria to use in choosing conditions when buying with credit is a good idea and a poor idea.

Set up a role-playing situation in which a student goes to a bank to apply for a bank credit card but doesn't understand anything about it. Another student should play the part of the banker and answer his or her questions, explaining the meaning of credit, interest charge, finance charge, and annual percentage rate (APR).

Activity: The Psychology of Credit (Demonstration)

Time Required: 20 to 30 minutes

Major Concepts: Demand, credit

Instructional Objectives:

(1) Describe demand for a good or service when consumers have and do not have credit available to them.
(2) Explain why consumer behavior differs with and without credit.

Rationale:

Consumers tend to purchase more goods and services when they have access to credit even though they must pay more in the long-run. This demonstration clarifies this phenomenon through students' own decisions and provides a basis for thinking about the psychological processes underlying consumer behavior.

Procedures:

Develop a demand schedule in the following way:

1. Have students choose a particular record album that they like.
2. Tell them the album costs $16 and record how many would be willing and able to purchase the album. Record that number on the chart.

PRICE	QUANTITY DESIRED
$16	
14	
12	
10	
8	
6	
4	
2	

3. Then continue down the different prices, getting student responses at each level. Each number should also include those who responded positively at a higher price since someone who would spend $14 or $16 for it would obviously be willing to spend less. Have students respond at each level as if the price would not go down. If students want to buy multiple copies as the price gets low, that is okay.

4. When the quantities are all filled in, show them how to construct a demand curve on a set of axes.

5. Do the activity again but have the students pretend that they have their own credit cards this time. Encourage them to use their cards (just as retailers and banks encourage us in real life to use them). Gather another set of data and ask the students to graph it on the same

set of axes used for the first set of data. Chances are good that the second curve will reflect an increase in demand. Analyze this paradox by asking the following questions:
What happened to your demand for this album? (increased)
For demand to increase one of the following conditions should have occurred:

Did you become more able to buy - do you have more money? (no)
Did the price of the albums decrease? (no - when you buy on credit the price increases because you have to pay interest).
According to the Law of Demand, if price increases, what happens to quantity demanded? (decreases)
Why did our demand increase then? (psychological feeling of credit card holders that they are more able to buy without the conscious realization that the price had increased)
What problems could this lead to? (overuse of credit cards, whether moderate or severe, is still a problem)

Activity: Persuading People to Go into Debt (Independent Study)

Time Required: 30 minutes of class time

Major Concepts: Advertising techniques

Instructional Objectives:

(1) Identify ways credit agencies try to persuade people to use credit.
(2) Evaluate how the costs and risks of using credit are presented by credit agencies.

Rationale:

Credit giving agencies need people to use credit or they do not make money. Consequently, they try to persuade consumers to buy on credit. This activity investigates how they persuade consumers.

Procedures:

Each student will collect printed advertisements regarding consumer credit including enclosures with charge account statements, take notes on television advertisements, and interview people who use credit (e.g., parents). Then each student will list the kinds of inducements credit card companies or retail stores with their own cards offer to encourage card holders to take the risk of going into debt. When discussing the findings, discuss advertising techniques and ethics in advertising and whether the companies are creating a needless risk for consumers for the sake of profits.

Activity: Planning for an Uncertain Future (Case Study)

Time Required: 30 to 45 minutes

Major Concepts: Additive opportunity, complementary opportunity, breakthrough opportunity, resource, risk

Instructional Objectives:

(1) Evaluate school curriculum alternatives using a decision-making grid.
(2) Select criteria for deciding how much risk associated with an opportunity is too much risk.

Material:

(1) "Planning for an Uncertain Future" case study (pages 35-37)

Rationale:

People encounter opportunities that vary greatly in terms of possible benefits, resources needed to take them, and risk. Analysis of this case study will enable students to clarify distinctions between types of opportunities and to generate some criteria for evaluating them.

Procedures:

After students read "Planning for an Uncertain Future," conduct a discussion of Carole's alternative opportunities using a decision-making grid on the chalkboard. Encourage students to identify criteria for evaluating her opportunities. In order to emphasize the concept of risk, ask the following questions. How much risk is too much risk for Carole? What kind of possible benefits are worth the risk? What can make higher risk worthwhile? Can Carole afford each opportunity? That is, can Carole recover and go on well enough if an opportunity does not work out well? Can Carole find and use the personal resources she needs to take each opportunity?

Activity: Opportunities (Concept Lesson)

Time Required: 20 minutes

Major Concepts: Additive opportunity, complementary opportunity, breakthrough opportunity

Instructional Objectives:

(1) State definitions of additive, complementary, and breakthrough opportunities.
(2) Classify examples of opportunities as additive, complementary, or breakthrough.
(3) Describe the risk characteristics of each type of opportunity.

Material:

(1) "Categories of Opportunities" (pages 38)

Rationale:

This activity will enable students to differentiate between types of opportunities in terms of their benefits and rewards. Risk is a key characteristic of opportunities which will be clarified.

Procedures:

What is an opportunity? A situation that a person can take advantage of which help him or her achieve certain goals. Not all opportunities are the same. Some might seem relatively unimportant, but others might have the potential of changing your life completely. The two factors which cause opportunities to differ most are 1) the amount and kind of personal resources (for example, money, intelligence, and personality) that the opportunity demands of you and 2) the amount of risk involved and the severity of the consequences in case of failure.

In order to help students understand opportunities better so that they can make choices more effectively, divide opportunities into three broad categories. Look at the handout, "Categories of Opportunities," to learn more about the opportunity categories. Present to students some examples of these kinds of opportunities.

Additive Opportunities:

In order to improve her swimming performance, Arla decided to watch less television and practice four more hours a week at the pool.

In order to lose eight pounds before the prom, Sarah switched from her favorite, sugar-sweetened soft drink to a less flavorful, but non-sugar soft drink.

In order to earn more money on his savings, Bill shifted his savings from a 5 1/4 % savings account to a 9 1/2% money market account. Therefore he increased his interest income with only slightly more risk.

Complementary Opportunities:

Joe, who works on an assembly line, decided to go to a technical school in the evenings to learn the skills he needs to be promoted to a managerial position.

Ann, who is single and living alone, decided to look for a roommate to share living expenses with her and provide companionship.

Gerri left one secretarial job for another secretarial job located closer to home.

Breakthrough Opportunities:

Anthony quit the job he has held for ten years to go to New York and study acting in the hope that he can earn his living in the theater.

Back in the '70s many people left jobs and families to go work on the construction of the Alaskan oil pipeline which offered very great financial rewards.

Ronald Reagan left a perfectly good acting career to run for the Presidency of the United States.

Ask students to think of opportunities that have been available to them or to their families and classify these opportunities as additive, complementary, or breakthrough. Try to stress that a breakthrough opportunity for one person may not be for someone else and so on. Also stress that some people may be more willing to take large risks than others. Ask students why this is so.

Activity: Thinking About the Future (Small Group Work)

Time Required: 45 minutes

Major Concepts: Career, derived demand

Instructional Objective:

(1) Estimate the likely demand for certain occupations given predicted social and economic changes in American society.

Material:

(1) "Megatrends" handout (pages 39)

Rationale:

Occupations are created and destroyed by social and economic forces of which most people are only dimly aware. Since demand for various goods and services increases and decreases over time, thinking about social and economic changes which might affect demand for workers in various occupations is a good idea when thinking about careers. Derived demand is the label for the concept that demand for workers in an occupation is based on the demand for the goods or services produced by workers in that occupation; that is, demand for workers is derived from demand for goods and services.

Procedures:

Point out to students that when they decide what careers or occupations they will pursue, they must evaluate not only their own preferences and abilities, but also the situation in the world around them. For example, it would be very risky to invest time and money in learning to be a brick layer if no one liked brick houses or buildings. Assign students to groups with one or two other students with the assignment to select some common occupations in their community. They are then to read the handout

"Megatrends" and consider the futures of the occupations they chose in light of what they have read.

Tell students to answer the following questions regarding each of the occupations. Will there be as great a demand for that job in the future? Will the risk of preparing for that job be greater or smaller in the future? If Mr. Naisbett is correct in his predictions, how will that affect your future? What might you do now that could help you prepare for a successful occupation or series of occupations?

Activity: Estimate Effects of Events on Derived Demand (Independent Study)

Time Required: 30 minutes

Major Concepts: Derived demand, risk

Instructional Objective:

(1) Predict the probable effect of events on the derived demand for various occupations.

Material:

(1) "Derived Demand Exercises" worksheet (pages 40)

Rationale:

When deciding whether a career opportunity is a good one to pursue, one must evaluate the degree of risk involved in the pursuit of that career. If the career requires a small investment of time, energy, and money for preparation, and if there is a large demand for that kind of worker, then there is a relatively small risk involved. However, if the career takes a large investment of time, energy, and money and if there are relatively few jobs like that around, then the risk is quite large. To determine the degree of risk involved you must be able to analyze how certain factors might influence the demand for certain jobs.

Procedures:

After distributing the "Derived Demand Exercises" worksheet, illustrate how events can affect the numbers of workers needed in various occupations. Students should individually make predictions using the handout. Discussion of the reasons for their predictions will demonstrate the complexity of the task and the importance of attempting it.

Planning for an Uncertain Future

Carole Manwaring received a message yesterday from her school counselor, Ms. Scott, that she was to come to Ms. Scott's office today during third period. Carole did not have any idea why. Puzzled and a little wary, Carole walked through the halls to the Office for her appointment.

Carole was a ninth grader at Magnolia High School and was still learning the ropes of being a high school student. She was the next-to-youngest of five children. Mr. and Mrs. Manwaring were employees in a local poultry processing plant. Two of Carole's older sisters, Kim and Audrey, had already graduated from high school. Both had married high school sweethearts soon after graduation. Kim worked at a fast food hamburger restaurant and Audrey sold tickets at the shopping center movie theaters.

A current family crisis revolved around Kim's husband's persistent back trouble. He had been unable to work for several months and the doctors were unable to say when he could work steadily again. The Manwarings were not well off financially. Kim and her husband were in serious financial trouble. All of this was in the back of Carole's mind when Ms. Scott smilingly invited Carole into her office.

Ms. Scott told Carole that it was time to make some decisions about the curriculum and specific courses Carole would take during her years at Magnolia High. She asked Carole what she was thinking about doing after high school. Carole was surprised by the question but responded that she guessed she would get married and maybe work as a clerk in a store. Kim and Audrey had chosen the General Curriculum and she supposed she would, too.

Ms. Scott observed that the General Curriculum was certainly a possibility, but there were other possibilities. Carole could choose the Secretarial/Business Curriculum. When she finished school, she would have the knowledge and skills to be a secretary. She would probably earn a better income as a secretary than as a clerk.

Ms. Scott also commented that Carole was a good student and that she could do well in the College Preparatory Curriculum. That was another surprise for Carole. Going to college was not a possibility she had ever considered. Carole told Ms. Scott that her family could not possibly afford to send her to college. In reply, Ms. Scott pointed out the possibilities of scholarships, student loans, and work-study programs. In any case, Ms. Scott wanted her to consider the broad range of careers and occupations she might pursue if she chose the College Preparatory Curriculum. Besides, if college plans did not work out, she could go to the vocational-technical school for a secretarial program.

Ms. Scott sent Carole back to class with her head buzzing. She would see Ms. Scott next week to make some decisions. In the meantime, Carole was to think over the possibilities.

Carole was interested in the Secretarial/Business Curriculum because of more opportunities for better paying jobs. Kim's situation was bleak partly because her job didn't pay well and she had no particular skills which were in demand. If Kim had secretarial skills, the financial aspect of her husband's

disability would be easier to manage. Carole certainly did not want to ever face the problems her sister was facing now. However, the Secretarial/ Business Curriculum would be tougher and more time-consuming than the General Curriculum. Also, she wasn't sure how well she could do in the secretarial program. She wasn't even sure she would like being a secretary. Carole knew there were quite a few secretaries in Magnolia but she did not know how hard it would be to find a secretarial job.

The General Curriculum had its appeal, too. Carole knew she could handle the courses easily. She would have more time for babysitting and a part-time job. She knew she was a pretty good student but studying was not her favorite way to spend time. The General Curriculum would not require much time and effort. Besides, Kim and Audrey had found jobs easily enough.

Choosing the College Preparatory Curriculum was both an exciting idea and an anxiety-producing idea. Just think of all the math, science, and English plus a foreign language! If she could go to college, somehow, Carole knew that many occupations would be possible, including some of which she had never even heard. She bet she could make more money than her parents did at the poultry plant! On the other hand, think of all the money college would cost and four more years of school. Could she get a job in Magnolia when she finished college? It was hard to even think about going to college and what it would mean for the future.

Carole suddenly has three opportunities each with serious consequences for her future. She can choose only one. Which one should she choose? How can she go about the task of deciding which opportunity is the best one for her?

The opportunities which Carole must choose between are examples of three kinds of opportunities everyone experiences now and then. They are called additive, complementary, and breakthrough opportunities. They differ in their degrees of risk and in the severity of their consequences if they are taken but do not turn out well. These kinds of opportunities also differ in the amounts and kinds of resources needed to take them and in the amounts and kinds of benefits or payoffs possible if they are taken successfully.

You need resources to take any kind of opportunity. "Resource" simply means a thing you use to achieve a goal when you take an opportunity. Common personal resources are time, energy, money, other people's cooperation, and knowledge. Practically anything can be a resource - an old coin, a ping pong table, a car, a computer, a book, a pair of running shoes. If something helps you achieve a goal, then it is a resource. When thinking about an opportunity, you must consider the amount, quality, and availability of the resources required to take the opportunity with a reasonable chance of success.

Carole's opportunity to choose the General Curriculum is an additive opportunity. She is almost certain to do well in the courses and she has an excellent chance to get a job as a clerk which does not demand much in the way of skills. However, her job satisfaction will not be great and her income will be very modest. Carole will need to spend little time on homework and very little money. If the General Curriculum opportunity does not work out, the consequences in terms of wasted resources will not be very severe because she has invested so little in it. At the worst, she will need to obtain

training in some specific kind of job.

Carole's opportunity to choose the Secretarial/Business Curriculum is a complementary opportunity. A complementary opportunity is riskier than an additive opportunity because you have to make bigger changes in your life to take it. Carole doesn't know how well she can do in the secretarial courses or how she will feel in a secretarial job. Also, there are fewer secretarial jobs available than clerking jobs. However, the income and working conditions could be much better which are major benefits. They would be a great improvement over her parents' and sisters' working lives. Carole must plan to spend more time on homework and she probably ought to join the school business club. The Secretarial/Business Curriculum will require her to work in a business office in town part of the time. That means money will be needed for appropriate working clothes. If the Secretarial/Business Curriculum choice does not result in a good secretarial job, then the consequences for Carole will be fairly severe. She will be trained for a particular kind of job which she can not get and the large amounts of time and money she spent will be gone.

Choosing the College Preparatory Curriculum is a breakthrough opportunity for Carole. It is very risky because it involves so many things. It is impossible to predict all the consequences or potential difficulties. Also, the amounts and kinds of benefits can vary a lot because some parts of the opportunity can work out well while other parts do not. However, the College Preparatory Curriculum could open up a new and exciting life for Carole made up of new places, different kinds of people, high income, and great job satisfaction. This choice will require much in the way of resources. Carole must spend much time on homework. She must save money and perhaps go into debt to go to college. Her family must help her find the time and money and also encourage her to keep trying. If a breakthrough opportunity does not work out well, the consequences will be extremely severe. She will graduate from high school with no particular job skills but will already have spent huge amounts of time and some money. Also, she may be happier if she takes the General Curriculum and never hopes for greater benefits.

There are many questions. How much risk is too much risk for Carole? What kinds of possible benefits are worth the risk? What can make higher risk worthwhile? Can Carole afford each opportunity? That is, can Carole recover and go on well enough if an opportunity does not work out well? Can Carole find and use the personal resources she needs to take each opportunity? Which opportunity should Carole choose?

CATEGORIES OF OPPORTUNITIES

Additive Opportunity

Amount of Personal Resources Required. No more resources than are being used at present are required. However, a shift of emphasis might be required, like spending a moderate amount of time or money in a different way.

Amount of Risk and Severity of Consequences in Case of Failure. Not much risk is involved. Since few personal resources were invested, few will be lost in case of failure.

Rewards. Few additional personal rewards will be realized if this opportunity is successfully undertaken.

Complementary Opportunity

Amount of Personal Resources Required. These opportunities require an increase in the amount of personal resouces invested. For example, you might be required to spend more time or money, your intelligence or creativity might be more greatly taxed, or you may need to be more dependent on certain personal relationships.

Amount of Risk and Severity of Consequences in Case of Failure. These opportunities are riskier because more has been invested. Time or money can be wasted. Increased dependence on personal relationships might have some negative consequences. There are relatively severe consequences in case of failure.

Rewards. There are significant personal rewards to be gained from succeeding at a complementary opportunity. These could include greater earning potential, more job-related satisfaction, and greater peace of mind.

Breakthrough Opportunity

Amount of Personal Resources Required. Breakthrough opportunities require a major change in lifestyle and a tremendous increase in the investment of personal resources. Many things in your present lifestyle will have to be sacrificed. Large investments of time, money, or other important things will have to be made.

Amount of Risk and Severity of Consequences in Case of Failure. These are very risky because of the huge investments that must be made. The consequences of failing to achieve your goals can be very severe. You might have to start over again completely if the time, money, and the resources are available for you to do so.

Rewards. There are huge personal benefits of some kind to be gained by successfully taking a breakthrough opportunity. Of course, there should be, since the risk and the investments are so substantial.

MEGATRENDS*

John Naisbitt, in his book Megatrends, describes ten changes which he feels will occur in the near future. One of these changes is the transformation of our economy from an industrial economy to an information economy. This means that businesses engaged in industry (making products) will continue to decline as a percent of the total business scene. Of course, this means that the number of industrial workers needed will also decline, especially since many of the remaining jobs will be performed in the future by robots. To fill the void left by the decline in industry, an information economy, one in which finding, classifying, and delivering knowledge and data are the central activities, will grow. Therefore, workers who can deal with the tools of this new trade (mainly the computer and other communications devices) will be in great demand in the future.

As a result of this transformation, industrial jobs such as machinists, welders, assembly-line workers, and so on, will be increasingly scarce. On the other hand, there will be increased demand for clerks, lawyers, teachers, engineers, computer programmers, systems analysts, doctors, architects, accountants, librarians, newspaper reporters, and so on.

Naisbitt recommends that people preparing for a career do four specific things. First, plan to enter one of the information economy professions instead of stubbornly sticking with training for a job which might not exist in the future. Most important, no matter what your plans might be, increase your computer literacy since the computer is the major tool of the future and those who can't work with it face restricted opportunities and lower salaries. Third, carefully develop your skills in basic English, math, and science, since the information economy, with its emphasis on communcation and knowledge, will put a premium on these skills. Lastly, since change in today's world occurs so fast, realize that you may have to hold several completely different jobs during the course of your career and as a result you must never stop learning and must accept retraining willingly.

*Naisbitt, John, Megatrends: Ten New Directions Transforming Our Lives. New York: Warner Books, 1982.

DERIVED DEMAND EXERCISES

DIRECTIONS: The following list of events can affect how many goods and services people will want or be able to buy. The amounts of goods and services people buy affects the number of people employers will hire to produce those goods and services. The demand for labor is derived from the demand for goods and services. Try to predict whether an event will increase (+) the demand for workers in an occupation, decrease (-) the demand for workers, or have little effect (0) one way or another. Put the appropriate symbol (+,-,0) in the blanks for the events after each occupation. Explain why you think your predictions are probably accurate.

Events

1. Non-nuclear war appears likely
2. Birth rate goes up and stays up
3. Unemployment increases
4. Crime rate goes up
5. Computers become less expensive
6. Interest rates on loans come down
7. Tomato blights destroy 60% of crop
8. Balloon bouquets become popular
9. Cancer cures developed
10. Common cold is cured
11. Inflation rate goes up
12. Divorce rate climbs

Occupations	Events											
	1	2	3	4	5	6	7	8	9	10	11	12
1. Flower shop employees	___	___	___	___	___	___	___	___	___	___	___	___
2. Game inventors	___	___	___	___	___	___	___	___	___	___	___	___
3. Paper makers	___	___	___	___	___	___	___	___	___	___	___	___
4. Karate instructors	___	___	___	___	___	___	___	___	___	___	___	___
5. Soft drink bottlers	___	___	___	___	___	___	___	___	___	___	___	___
6. Nursing home workers	___	___	___	___	___	___	___	___	___	___	___	___
7. House paint factory workers	___	___	___	___	___	___	___	___	___	___	___	___
8. Computer programmers	___	___	___	___	___	___	___	___	___	___	___	___
9. Migrant farm workers	___	___	___	___	___	___	___	___	___	___	___	___
10. Lawyers	___	___	___	___	___	___	___	___	___	___	___	___
11. Used cars salespeople	___	___	___	___	___	___	___	___	___	___	___	___
12. Taxi drivers	___	___	___	___	___	___	___	___	___	___	___	___
13. Auto mechanics	___	___	___	___	___	___	___	___	___	___	___	___
14. Clowns	___	___	___	___	___	___	___	___	___	___	___	___
15. Furniture makers	___	___	___	___	___	___	___	___	___	___	___	___
16. Fortune tellers	___	___	___	___	___	___	___	___	___	___	___	___

Activity: Options (Case Study)

Time Required: 30-45 minutes

Major Concepts: Risk, additive opportunity, complementary opportunity, breakthrough opportunity, productivity

Instructional Objectives:

(1) Define productivity.
(2) Evaluate the career options of high school students with different personal characteristics but similar occupational interests and options.
(3) Categorize the opportunities and describe the risk characteristics of the opportunities.

Material:

(1) "Options" Case Study (pages 45-46)

Rationale:

Students with similar occupational interests and similar options still must make individually tailored decisions about careers. This activity will enable students to apply what they have learned about opportunities and risk to decisions regarding the personal occupational productivity of several people. All young people face decisions regarding how to improve their quality as human capital. This activity clarifies the nature of those decisions.

Procedures:

Explain to students that there are three kinds of productive resources: land (natural resources); labor (human resources); and capital (human-made resources). Productivity is a term which means the amount of output per unit of input. Productivity can increase by making more efficient use of one or more of the productive resources. Productivity is an important link between a healthy economy and healthy businesses. Obviously, an economy which encourages efficient use of resources will experience greater growth. Likewise, a business which encourages greater efficiency in the use of resources will most likely experience growing profits.

How can land be made more productive? One example is the farmer's practice of letting land lie fallow so that it will be more productive the next season. Using the stems of the tobacco leaf to fertilize land instead of just discarding the stems is another example of using land more efficiently.

How can productivity be increased by using capital more efficiently? There are thousands of examples of this in our technological society. A sewing machine greatly increases the output of one worker. A bulldozer clears land much faster than human labor can. A computer radically increases the number of calculations that can be done in a certain period of time.

What about the productivity of labor? Can one worker increase his own productivity? Yes, of course. The efficiency of laborers has increased dramatically in the past fifty years by better training and the development of job skills. If human resources could not be used more efficiently, then the need for individual decisions about how much training is needed would be eliminated. Each person would simply work each day and produce only a certain amount which could not be increased. But we can increase our efficiency as workers by training ourselves and so it is necessary for us to make decisions about training and each of these decisions involves a risk.

Consider the three high school students in the following case study. Analyze their options in their career choices and decide how the three kinds of opportunities might play a part in the decisions they make. At the conclusion of the discussion, ask students to write one paragraph about each of the case study students explaining what they think the high school student should do and why they think that.

Activity: Differences in Human Capital (Demonstration)

Time Required: 15-20 minutes

Major Concepts: Human capital, productivity

Instructional Objectives:

(1) Describe how differences in human capital can affect productivity of workers.
(2) Identify ways to improve high school students' productivity now for future jobs.

Material:

(1) Two stacks of cards with sentences on them.

Rationale:

Knowledge and skills possessed by workers can dramatically affect the productivity of a production process. This activity demonstrates how a small bit of knowledge possessed by one set of workers can produce a large advantage in productivity.

Procedures:

Randomly select six students from the class and randomly place them in two three-person groups. Tell them that they represent workers from two factories who are going to compete to see which has the higher productivity. Their job is to sort a stack of cards. Each card has a sentence on it with one underlined word. The workers are to decide together if the underlined word is used as a noun. If it is they are to put it in a special stack. They will have one minute to make decisions on as many words as possible. Make two cards for each of the following sentences:

Just as businesses must invest money in better equipment, individuals invest money, time, and energy to acquire skills that make them better workers.

People benefit in many ways from this investment in human capital.

College graduates earn, on the average, twice as much per year as people with eighth grade educations.

People with high school educations earn something in between.

The salaries and wages of high school graduates do not increase as rapidly from one year to the next as those of college graduates, although there are exceptions.

In addition to formal education, investment in human capital includes specialized training and apprenticeships.

These can take as long as five years.

More rigorous training usually brings greater productivity and higher future income.

Many workers are capable of doing unskilled labor, and so these workers tend to receive low incomes.

The supply of qualified labor becomes much smaller in careers requiring advanced training, skill, and knowledge.

Workers qualified for such careers can ask for and receive higher salaries.

Businesses today invest large sums of money in training, because workers with up-to-date skills are more productive.

While it is true that people with formal education or specialized skills do earn more money, there is another advantage to investment in human capital.

Jobs requiring special skills or education are often more interesting and challenging than jobs performed by unskilled workers.

Some people enjoy the very process of learning, and educated people are better equipped to understand and enjoy life.

The benefits of education and training are great, but the costs can also be high.

Tax dollars, tuition, and fees are obvious direct costs.

There are also indirect opportunity costs.

The opportunity cost is what could have been done with the money and time spent acquiring skills.

For example, the full cost of four years in college includes the money the student could have earned working full time during those four years.

The real cost of investment in human capital is the loss of the advantages of your next best alternative.

Give a set of cards to each group and tell them they will be judged on the number of correct decisions they make. Do not count incorrect decisions as part of their total production. Now speak to each group individually, so the other group can't hear. Review with group #1 what they are to do: separate out all the cards in which the underlined word is used as a noun. But, tell group #2 that any underlined word on the cards that ends with an E is used as a noun. Then let both teams work for one minute. The production of group #2 will be much greater, with fewer mistakes. Ask the class if they can explain why this happened. They won't be able to explain it. Then ask group #2 to tell the class what you told them before they began. Point out to the class that the additional bit of information that group #2 had represents training and job skills and show how much it improved their productivity. Ask the class to list some ways in the real world that they could improve their productivity by training or increasing job skills.

Activity: Investing in Human Capital (Small Group Work)

Time Required: 30 minutes of class time.

Major Concepts: Human capital investment productivity

Instructional Objectives:

(1) Identify ways of investing in one's own productivity.
(2) Identify mistakes and suggestions of others regarding investing in human capital.

Rationale:

Young people are often in a position to acquire knowledge and skills which will later enable them to be more productive both in terms of a job and in terms of earning an income. This activity will help clarify how they could plan to improve their human capital productivity. Also, the interviews could illustrate how human capital investment is an on-going process throughout a career.

Procedures:

Have individuals or small groups of students talk to people in the community who have been working for a number of years. Ask them: (1) What kinds of human capital investments did you make for your career? and (2) Knowing what you know now, what human capital investments would you make if you had to do it all over again? The students could also interview employers, asking them what sorts of human capital investments they look for in people they are considering hiring. Have them bring all their information back to class and organize it through class discussion so that the students can learn from the advice of others.

OPTIONS

Three high school students, Stephanie, David, and Frank, are dealing with the difficult decision of what career to choose. The three are alike in two respects. Each one wants to be productive enough to earn at least an adequate income at a job which is personally rewarding and each of the three is interested in computers. The options open to them are the same. They can go to college for four to six years to train themselves in computer programming. This option, of course, would mean a considerable investment of money as well as time, but would likely lead to prestigious positions as well as higher salaries. The second option is to go to a two-year technical school to learn how to use programs written by someone else. Obviously, the time and money investment would not be as great, but neither are the potential financial rewards. Finally, they might get a job right out of high school which will provide them with on-the-job training in the use of computers. All of the large investment in time and money is eliminated here, but the financial rewards might be lower—if there is a company who will even hire someone with no computer skills whatsoever.

Stephanie is a junior in high school. She is of average intelligence and she has always enjoyed learning. She has worked hard and her grades are generally above average. Her social life is important to her so she has not been willing to take a part-time job while in school as it would take away from both her school work and her social activities. She looks forward with great anticipation to marriage and having a family but she also wants a career. If she goes to college, she will face high tuition and living costs which will probably put her into debt. She will be foregoing the salary that she could be earning for that four to six year period and may have to sacrifice her social life somewhat to her studies. Since she has always enjoyed school and studying this might not be difficult for her. Her plans for marriage and family would definitely have to be postponed if college is chosen. The benefits of going to college include the potential of higher earnings as well as the extra social dimension that you cannot encounter in other areas. What decision would you make if you were Stephanie? How would you categorize each of the three opportunities available to Stephanie?

David is a high school sophomore who has been classified as a "gifted" student throughout school. He has, however, spent most of his school years in trouble because he hates to sit still through a whole class and has never felt challenged. There have been a few classes which he liked and in which he did well, but his overall school record is below average. Since he discovered his fascination with computers, he has been considering the possibilities of a future in the computer field. David has been saving his money to buy a used car and plans to begin a part-time job when he turns sixteen. His options are clear to him, but he is having trouble making up his mind. He knows that he has the ability to go to college, but he is not sure he would like it and he is not sure that he could get accepted with low grades in high school. He doesn't want to give up his car, which he might have to do if he plans to go to college. On the other hand, potential earnings could be so much higher. What decision would you make if you were David? How would you categorize each of the three opportunities available to him?

Frank's parents are both doctors. The family income is high and the family is socially prominent. There is a great deal of pressure on Frank from

his family to go to college and perhaps even to graduate school. If he chooses to do so, his parents willingly will finance all of his higher education. Frank feels some uncertainty, however, because he has the desire to break away from his family's protective "nest" and be truly independent. He realizes however, that postponing this independence a few more years will bring him greater financial rewards and therefore greater financial independence eventually. His intelligence and motivation are adequate to get him through college and probably graduate school as well, but he wonders if he would learn more about life in the long run by breaking with his family earlier and learning what it's like to struggle. What decision would you make if you were Frank? How would you categorize each of the three opportunities available to him?

The hard part about career decision making is that there is always risk involved in it. Careful consideration of the kind of person that you are and the kind of opportunities that you have are important before making your choice.

Activity: Sniffers, Boomers, and a Question of Control (Case Study)

Time Required: 40-50 minutes

Major Concepts: Public resource, private resource, public decision making

Instructional Objectives:

(1) State an argument supporting each position on the use of public lands in one paragraph each.
(2) Select criteria for evaluating alternative solutions to the public land use issue.
(3) Decide on a solution to the public land use issue and explain why it is a good solution.

Material:

(1) "Sniffers, Boomers, and a Question of Control" case study (page 50)

Rationale:

A constant theme in political decision making involves public goods and services. A hotly debated issue, particularly in the West, is the use of public lands. This activity introduces the public land issue and serves as a concrete example of the larger issues of the production and distribution of public goods, services, and resources.

Procedures:

After students read the case study "Sniffers, Boomers, and a Question of Control," ask students to summarize the arguments in favor of each position on the public land use issue. Draw a decision-making grid on the chalkboard and list the various proposals on the use of public lands plus any others the students devise. Conduct a discussion in which students identify criteria (e.g., values, goals) for evaluating the proposals and then evaluate the proposals. A useful writing exercise will be to have each student state the arguments for each proposal and then summarize his or her conclusion.

Activity: Private and Public Goods (Concept Lesson)

Time Required: 20-30 minutes

Major Concepts: Pure private good, pure public good, mixed good, toll good, common pool resource

Instructional Objectives:

(1) State definitions of pure private good, pure public good, mixed good, toll good, common pool resource.
(2) Identify examples of private, public, and mixed goods using the criteria of shared consumption and exclusion.

Rationale:

Much public debate and decision making are devoted to resolving issues related to the production and use of goods and services which some believe should be private and others believe should be public. This activity will clarify the meaning of relevant terms to facilitate debate and decision making.

Procedures:

Produce an empty chart like the one below on the chalkboard or on a transparency. Introduce the lesson by describing a controversy in the news related to a public good or service. For example, funding a public project such as a highway or education would be good. Other examples could involve whether a good or service should be public or private (e.g., trash collection, theaters). Explain and illustrate the following definitions of relevant terms and tell students that they will use them to sort examples of goods and services into the categories.

Pure private good - a good or service that can be withheld from consumers who refuse to pay (exclusion), and whose consumption by one person reduces its availability to someone else (no shared consumption).

Pure public good - a good or service that cannot be withheld from consumers who refuse to pay (non-exclusion), and whose consumption by one person does not reduce its usefulness to someone else (shared consumption).

Mixed good - a good or service which has some characteristics of both pure public and pure private goods; includes common pool resources and toll goods.

Toll good - a good or service that can be withheld from consumers who refuse to pay (exclusion), but whose consumption by one person does not reduce its usefulness to others (shared consumption).

Common pool resource - a good or service that cannot be withheld from consumers who refuse to pay (non-exclusion), but whose consumption by one person does reduce its availability to others (no shared consumption).

Illustrate each concept with appropriate examples and explain why each example fits in one category but not the others (see chart below). Then, give students a list of goods and services and ask them to sort them into the right categories. There will be some fuzziness. For example, it is possible to share consumption of a park; however, if it is overused, later users will not have the same quality experience there that earlier users did. For further clarification and practice in using the concepts, students could cut out pictures of goods and services from magazines and produce collages of the four categories in the chart.

PRIVATE AND PUBLIC GOODS AND SERVICES

Exclusion? \ Shared Consumption?	NO	YES
YES	Pure, Private Goods hair styling hamburger shirts	Toll Goods cable TV theaters
NO	Common Pool Resources seafood river water congested highways	Pure Public Goods national defense mosquito control legal system street lights

Activity: Risk and the Use of Public Lands (Small Group Work)

Time Required: 20-30 minutes

Major Concepts: Risk, public land use

Instructional Objectives:

(1) In the case study "Sniffers, Boomers, and a Question of Control," identify the resources or benefits which might be lost if each proposal is implemented but not implemented successfully.
(2) Estimate the degree of risk involved in each public land use proposal and the severity of risk of each proposal.

Rationale:

Risk is as important in public decision making as it is in more personal decision making. Public policies can produce great damage if they are ineffective or misdirected. This activity addresses these problems. Even though the question of risk is difficult to answer clearly, it must be considered.

Procedures:

Ask the students to think about the existence of risk in the case study "Sniffers, Boomers, and a Question of Control." Have them identify where individuals and/or society are taking risks with resources or benefits. Ask them to identify the degree of risk and severity of risk of each public land use proposal. Direct students to write their thoughts and observations in a well-organized and structurally correct essay.

SNIFFERS, BOOMERS, AND A QUESTION OF CONTROL

Jimmie Sheldon woke with a start. To his relief the sound that awakened him was not a gun shot, but was his grandfather's truck backfiring. Jimmie is a full-blooded Inupiat Eskimo who lives in Noorvik, Alaska. For many years Jimmie's family has lived in this area and earned its living just as Jimmie and his family do now by hunting and fishing in the area. According to the Alaska National Interest Land Conservation Act (ANILCA), families like Jimmie's who are subsistence hunters are allowed to fish and hunt on land which is now a National Wildlife Refuge. In recent times, however, Jimmie and his family have been coming under attack (as victims of varied acts of vandalism) from two groups of people. The first group are the sportsmen who claim that they, too, should have access to public lands. The other group (often referred to as the "Posy-Sniffers") are the conservationists who want no hunting and fishing at all on the public land. As the nature of the vandalism has become more and more severe and distinctive in the past few weeks, Jimmie has found himself becoming more and more edgy and concerned for the safety of his family.

The problem is even greater than what is affecting Jimmie. Nearly all Alaskans are angry, for one reason or another, over ANILCA. You see, Alaska has extraordinary riches ranging from wildlife (twenty times the number of bald eagles that exist in the lower forty-eight states, for example) to abundant natural resources (timber, oil, minerals, for example). But, the federal government controls 75% of the state's area. This federal control has caused conflict between several groups. The "Sniffers" want preservation of the wilderness. The "Boomers" are the business people who want to export the state's oil, gas, and minerals. People like Jimmie and his family claim the right to earn their living as they traditionally have. Many people are simply angry that although Alaska is twice the size of Texas, it may not have enough land for a population the size of Oklahoma City. A group founded in 1973 called Alaskans for Independence urges the release of public lands to the people.

This same kind of conflict is occurring all over the country. The federal government holds land in an effort to preserve its natural beauty. But many of our national parks are so crowded with those who wish to enjoy nature's beauty that the wilderness is being disrupted. There are also companies that claim that the resources that these lands could yield would be of great benefit to society.

What should we do? Should the lands remain under federal control to preserve the wilderness but their use restricted to avoid overcrowding? Should companies be allowed to export the resources if they can prove their products are helpful to humankind? Should these lands belong to the government at all? How do you feel?

Activity: Proportional, Progressive, and Regressive Taxes
(Concept Lesson)

Time Required: 30-40 minutes

Major Concepts: Tax, proportional tax, progressive tax, regressive tax

Instructional Objectives:

(1) Define tax, proportional tax, progressive tax, and regressive tax.
(2) Given a list of taxes, classify each as proportional, progressive, or regressive.

Rationale:

Different types of taxes have dramatically different effects on people of different income and wealth. Consequently, taxation is a highly controversial topic in society. Students will be prepared to interpret the personal effects of different taxes on their lives and participate in public discussion after learning about taxes in this activity.

Procedures:

Define and illustrate the following terms in a lecture format:

Tax - required payment of money to governments to cover the cost of public goods and services. Have students list all the taxes they can. Then have them add any from this list that they missed: income tax; estate tax (inheritance tax); Social Security tax; corporate income tax; excise tax; sales tax; gasoline tax; real estate tax; auto licenses; property tax, amusement tax; animal licenses; and business licenses.

Proportional tax - tax that takes the same percentage of all incomes. An example is the property tax which communities levy. They divide the needed revenue by the assessed value of taxable property. This gives the tax rate which is often expressed in mills (a mill is one-tenth of a cent, so a 3% tax rate would be 30 mills per dollar). Everyone has to pay 3% of their property value in taxes no matter what the value of their property.

Progressive tax - tax that takes a larger percentage of high incomes than low incomes. The federal income tax is an example. According to the 1984 Federal Income Tax Tables, single people who earn $10,000 in taxable income had a tax rate of 10.8%; a $25,000 wage-earner paid 18.3%; a $75,000 wage-earner paid 34.1%. But, deductions and loopholes often reduce the progressive nature of the tax.

Regressive tax - tax that takes a larger percentage of low incomes than high incomes. Consider a sales tax on essentials. How does this happen? To demonstrate, consider 2 families:

Family X	Family Y
4 people in family	4 people in family
Average medical costs	Average medical costs
Average eating habits	Average eating habits
Total Earnings: $80,000/year	Total Earnings: $25,000/year

Since the two families are similar, they probably spend the same amount on food and medicine. If the food bill for each family were $5,000 per year and the medical bills were $500, how much sales tax would they each pay on food and medicine with a 3% tax rate?

Food: $5,000 x .03 = $150

Medicine: $500 x .03 = $15

Both families pay $165 per year in sales tax for the essentials of food and medicine.

What percentage is this of each family's income?

Family X: $\frac{165}{80,000} = .21\%$

Family Y: $\frac{165}{25,000} = .66\%$

Notice that family Y, with the smaller income, is taxed at a higher rate than family X. So a sales tax on essentials items is regressive.

Go back to the list of taxes the students wrote down discussing tax above. Have the class discuss whether each of the taxes would be proportional, progressive, or regressive. Divide them into groups and have each group classify only a few of the taxes and report back to the class.

Activity: Tax Controversy (Role Play)

Time Required: 50 minutes

Major Concepts: Proportional tax, progressive tax, self-interest

Instructional Objectives:

(1) Evaluate the effect on different income groups of various income tax proposals.
(2) Present arguments for and against various tax proposals.

Material:

(1) "Tax Controversy: A Role Playing Exercise" (page 54)

Rationale:

Given that tax proposals generate a great deal of emotion and debate, this activity will help students understand how different tax plans can seriously effect people's economic welfare. They will gain experience in evaluating tax proposals and presenting arguments for and against them.

Procedures:

Conduct the role playing activity "Tax Controversy" with the following guidelines.

1. Give each student a copy of the introduction and chart and go over it with them.
2. Assign each student an income level of his or her own. Keep the income level in the same proportion as the total number of families in the town, e.g., 10% at $8040, 15% at $13,200, 40% at $20,400. (The income distribution given here is approximately the same as that in the U.S. today).
3. Give students a chance to make a decision, form coalitions and negotiate with others. The teacher's guidance and suggestions are important at this stage.
4. Give each person a chance to speak in favor of his or her proposal. If a coalition wishes to select one spokesperson, then that speaker can use the time of each person in the group.
5. When it is time for the vote, give color-keyed ballots to the students so that all people in one income level have the same color ballot and no two income levels have the same color. Have each person write a 1, 2, 3, or 4 on his or her ballot. They should vote for the proposal they feel is best for the community. Count the vote and announce the winning proposal. Then consider how may people voted purely in self-interest and how many voted contrary to their self-interest. Ask for some reasons why some would vote contrary to their self-interest.
6. Have students label each of the proposals using the terms proportional (#1), slightly progressive (#2), moderately progressive (#3), and most progressive (#4).

TAX CONTROVERSY: A ROLE PLAYING EXERCISE

You are members of a town council which is trying to decide how to tax the people of the town in order to raise the $600,000 necessary to run the town. There are one hundred families in the town. Assume that the families are identical in every respect except income level. Four proposals have been made as to the percentage each family should pay of its income. All four proposals yield about the same amount of money. The chart below shows the annual family income and the number of families in the town with each income as well as the tax rates for each income group for each of the four proposals.

Annual Family Income	No. of Families	Proposal 1	Proposal 2	Proposal 3	Proposal 4
$ 8,040	10	20%	16%	10%	5%
13,200	15	20%	17%	12%	7%
20,400	40	20%	18%	15%	10%
31,200	20	20%	20%	18%	15%
50,400	9	20%	21%	22%	22%
96,000	4	20%	22%	25%	31%
222,000	2	20%	23%	31%	42%

After you find out what your income level is, your job will be to decide which proposal you favor and convince people on the council that they should vote for your choice. Each person will have a chance to speak in favor of his proposal or negotiate with others on the council before the vote is taken. You may form coalitions with others of similar interests if you wish. Obviously if everyone votes for just his or her own self-interest, the vote could be figured in advance. but your job is to convince others not to vote in their self-interest.

*Adapted from American Enterprise Teaching Notes. New York: Playback Associates.

Activity: Samantha's Decision (Case Study)

Time Required: 30 minutes

Major Concepts: Demand, supply, price

Instructional Objective:

(1) Identify and evaluate alternative ways a business person might increase demand for a good or service.

Material: "Samantha's Decision" case study (pages 62-63).

Rationale:

Businesspeople must respond to changing conditions which effect the demand for their goods and services. New competitors can attract some of a businessperson's old customers. Sometimes, demand can be increased to keep old customers coming and attract new customers. This case study illustrates one businesswoman's efforts to strengthen the ability of her business to compete with new competitors.

Procedures:

After students read the case study "Samantha's Decision," initiate a discussion with the following questions. What would you do if you were Samantha? What methods might she use to increase demand for craft materials? What are the advantages and disadvantages of each method? In addition to increasing demand, what are other characteristics of a good method? What are each method's risks for Samantha? Use a decision-making chart on the chalkboard to structure the discussion.

When students have thought through the problem and drawn some conclusions, read the rest of the story as follows and compare conclusions:

The Rest of the Story

The accountant suggested, "Why don't you do some promotional projects which will get a wider cross section of the community involved in crafts? Maybe have a demonstration for local women's clubs or home economics classes. A sale or give-away event might work too. Of course, natural growth in the community could help and this area is one of fairly rapid growth."

When the new store opened, Samantha did see prices decrease somewhat, but her promotional programs and growth in the community helped to increase demand somewhat too, so the effect of the blow was softened.

Activity: Demand and Supply (Concept Lesson)

Time Required: 50 minutes

Major Concepts: Demand, quantity demanded, supply, quantity supplied, price

Instructional Objectives:

(1) Define demand, supply, quantity demanded, quantity supplied, and price.
(2) State the Laws of Demand and Supply.
(3) Given events, predict their effects on demand, supply, price, quantity, demanded, and quantity supplied.

Material: "Supply, Demand and Price Worksheet" (page 64-65)

Rationale:

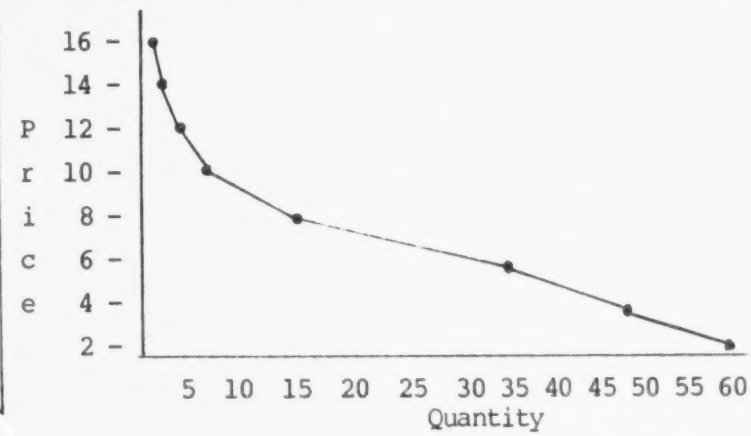
Opportunities for satisfying living are created and destroyed by the economic phenomena of demand, supply, and price determination. In order to understand the conditions of one's life and to make productive economic decisions, one must understand these concepts. This activity teaches the basic meanings of demand, supply, and price using students' own behavior as data.

Procedures:

Tell students that you need to ask them some questions about their buying habits and that you want them to name a record album that is a favorite for them. Write the chart below on the board or overhead projector. Tell students that you want to know how many of them would be willing and able to buy the album if it cost $16. They are to pretend that the price will never change; if they want the album they have to pay that price. Count the number (if any) and enter the figure in the first blank on the chart. Numbers in parentheses below are examples. Obviously if those two students are willing to pay $16, they would be willing to pay less also so recount them each time. Tell them they don't have to raise their hands again each time unless they want additional copies. Then ask how many would be willing and able to buy the album at $14 (pretending again that the price is not going to change). Go down through the prices, adding the total number of hands raised at each price to the last number on the chart. As the price gets lower students may wish to purchase additional or multiple copies of the record.

When finished with the chart, plot the data on a graph:

PRICE	QUANTITY
$16	(2)
14	(3)
12	(6)
10	(9)
8	(17)
6	(35)
4	(48)
2	(60)

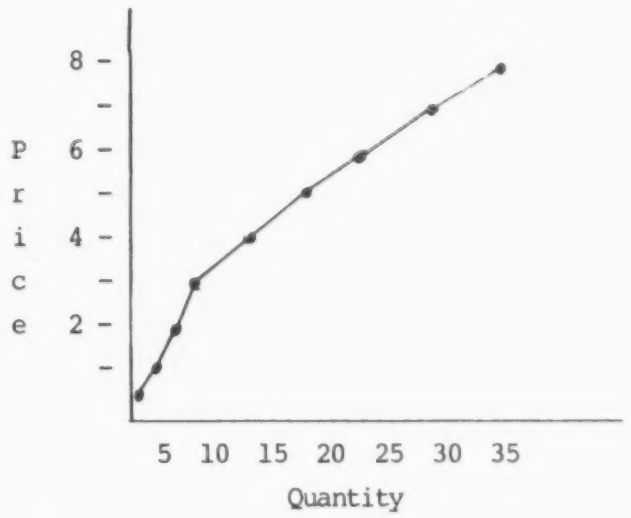


Tell students that this graph represents the demand for that album for this class on this date. Give them the definition of demand: a list or schedule or graph of the quantities of a product or service that people are willing and able to buy at various prices. Then distinguish between demand (the entire curve or chart) and quantity demanded (one point on the curve or one row on the chart). Give the definition for quantity demanded: the amount of a product or service that people are willing and able to buy at one particular price. Point out that a change in the price of the product does not affect the demand for the product (since it already includes various prices), but a change in price would affect the quantity demanded.

Then tell students that a job is opening up at McDonald's. It is a part-time position so everyone in the class would have time to hold down the job after school (if, of course, the opportunity cost for each individual is acceptable). The job involves cooking the food until closing at which time the person has to help clean up until 10:30 or so. The person also needs to be able to work one day shift and one evening shift on the weekend. Make a chart like the one below, starting with $.50 an hour. Have students pretend that the salary offered at each level will not change and ask how many would be willing to do that job at each salary level.

Fill in the quantities being sure to add the number of hands at each level to the last number on the chart. Sample numbers have been put in to illustrate. Graph the data on the chart like the sample. This graph represents the supply of workers for that job for this class. Give the definition of supply: a list or schedule or graph of the quantities of a product or service that will be offered at various prices. Distinguish between supply and quantity supplied. Give the definition for quantity supplied: the amount of a product or service that will be offered at one particular price. Point out that, again, the price of the product or service does not affect the supply of the product, but would affect the quantity supplied.

Price (wages per hour)	Quantity
$ .50	(1)
1.00	(4)
2.00	(7)
3.00	(8)
4.00	(13)
5.00	(19)
6.00	(23)
7.00	(29)
8.00	(34)



Now have the students look at their graphs and fill in the blanks for the Law of Demand and Law of Supply. Put these statements on a transparency for overhead projection.

The Law of Demand

As demand increases, price __(increases)__.

As demand decreases, price __(decreases)__.

As price increases, quantity demanded __(decreases)__.

As price decreases, quantity demanded __(increases)__.

The Law of Supply

As supply increases, price __(decreases)__.

As supply decreases, price __(increases)__.

As price increases, quantity supplied __(increases)__.

As price decreases, quantity supplied __(decreases)__.

Give the students the worksheet. Do the first one with them and have them do the rest. Go over the sheet with them carefully to be sure they understand the relationships.

Activity: Supply and Demand in Balance (Concept Lesson)

Time Required: 15-20 minutes

Major Concepts: Demand, supply, price

Instructional Objectives:

(1) Explain that the price of a product in a market is established through a compromise between supply and demand.
(2) Predict what would happen to price under each of the following circumstances:

a. Demand increases, supply stays the same.

b. Demand decreases, supply stays the same.

c. Supply increases, demand stays the same.

d. Supply decreases, demand stays the same.

Material: "Supply and Demand" transparency or handout master (page 66)

Rationale:

This activity is another way of teaching the relationship of price to supply and demand. The concepts of quantity demanded and quantity supplied are not dealt with in this lesson because the major emphasis is on a change in supply and demand. Remember that price is not one of the factors that changes supply and demand; price affects quantity supplied and quantity demanded.

Procedures:

Use the "Supply and Demand" transparency or handout.

Top Picture. Supply and demand here are balanced so that we have an equilibrium price of 8. As long as neither supply nor demand changes, the price will remain constant. Notice that it takes both supply and demand to determine the price.

Middle Picture. See that if the demand for a product increases, but the supply stays the same, the price goes up, in this case to 9. When demand decreases, the price goes down, here to 6. What factors can cause demand to change? (Major ones are income of the buyers, number of buyers in a market, change in consumer tastes, and price of related goods. You may wish to add some others.) List these factors on the transparency (or have students list them on their handout).

Bottom Picture. The supply changes while the demand stays constant. When the supply increases, price goes down (to 6 here) and when the supply decreases, price goes up (to 10 here). What factors can cause this change? (Major factors are number of firms in an industry, price of the inputs, new technology or increased efficiency, and natural occurrences, such as the weather.) List these factors on the transparency and/or handout.

Activity: Deciding How Much to Demand and How Much to Supply (Demonstration)

Time Required: 30 minutes

Major Concepts: Quantity demanded, quantity supplied

Instructional Objectives:

(1) Identify factors affecting the quantity demanded of a good or service.
(2) Identify factors affecting the quantity supplied of a good or service.

Materials: (1) Play money
(2) Candy bars

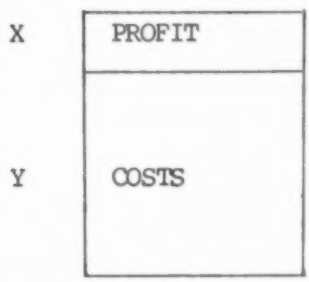
Rationale:

This activity focuses on factors which affect the decisions of consumers and producers. While students have some notions about what makes them want more or less of a product, influences on producers' decisions to supply a product are often obscure. This simple demonstration will clarify both types of decisions.

Procedures:

Make some play money and distribute it randomly to five students in the class. Say that you have some candy bars that sell for one "play dollar" each. Find out the total number of candy bars that would be bought. To show how a change in income can affect demand, give each student more money. Find out how many candy bars are bought now. To show how a change in the number of buyers in the market affects demand, increase the number of students to fifteen. To show how a change in taste affects demand, say that you are now selling carrots instead of candy bars.

To show how the various factors affect supply, have each student pretend that he or she is an entrepreneur who wants to generate X amount of profit. You know that your costs = Y so that means the total amount of money you take in equals X + Y. If you make less profit than X, you will cut your production of that product because you could spend your time more profitably producing another product. What effect will the invention of a faster machine to make your product (new technology) have on Y? (make Y smaller). What effect will this have on X? (make it larger). With greater profits, will you want to produce more or less of your product? (more).



What if it begins to cost more to pay for a major ingredient in your product? What will happen to Y? (increase). What effect will this have on X? (make it smaller). With smaller profits, will you want to produce more or less of your product? (less).

If you were able to make your employees more efficient by rearranging your factory so that less time is spent moving from one work station to another, then what effect would this have on Y? (make it smaller). What effect would it have on X? (make it larger). With larger profits, would you want to produce more or less of your product? (more).

Activity: Consumer Research (Small Group Work)

Time Required: 20-30 minutes of class time

Major Concepts: Demand, supply

Instructional Objective:

(1) Construct a demand or supply graph by collecting data through interviews.

Rationale:

This activity reinforces the insight that demand is produced by the decisions of many people to consume or not consume. An analogous activity focuses on peoples' decisions to provide a resource, their labor.

Procedures:

Allow the students to work in groups of 2 or 3. Have each group choose a product and ask at least thirty people in the community what price they would be willing and able to pay for that product. Then have them construct a demand curve for that product as they did with the record albums. Some students may wish to do a supply curve with other students in the school by creating a job description and finding out how many would be willing to take the position at different wage levels.

SAMANTHA'S DECISION

Samantha Gresham had an idea that she was sure would work. Samantha had been in business for herself for eight years. Her business was doing well. "The Sewing Art" was a shop which sold sewing machines, provided interested people with sewing lessons, and repaired broken machines. Being a born salesperson, Samantha found it easy to sell new machines even to those people who had not been in the market for one. If she could get them in the store, she had a good chance of selling to them. But how could she get more people in the store? She decided that adding a line of low-cost craft items and offering instruction in various crafts would bring in more people. She would make a moderate profit from the crafts and lessons and she would have more contact with people whom she could try to sell on the idea of a new sewing machine.

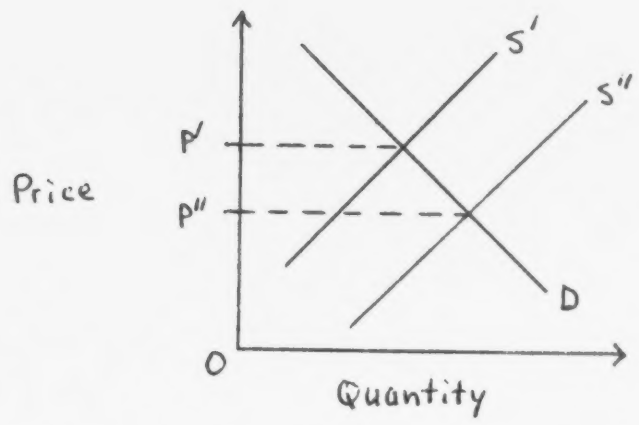
Samantha had already researched the idea superficially. There were no other craft stores in the immediate neighborhood and there seemed to be sufficient interest in crafts in the area to insure her success. There would be some risk, of course, since a considerable investment in supplies and advertising was necessary. But Samantha was sure she could make it work.

She was right! The response from people in the community was so good that she soon saw that she couldn't keep up with the demand either for the materials or craft lessons. Because expanding her store and business seemed unrealistic and perhaps premature, Samantha decided to raise her prices on both the craft materials and lessons. Her profits were increasing and the number of sewing machines sold was also increasing as she had anticipated.

Then the inevitable happened. Whenever profits are particularly high in a certain field, other investors are going to want to cash in on those healthy profits. That is what happened to Samantha. A competitor opened a craft store within two miles of her store.

As the new store was being built, Samantha wanted some sort of prediction about how it would affect her business. She spoke to her accountant for advice. "I saw what happened when the demand for my craft supplies was too great for me to satisfy. It had the effect of raising prices. But what will happen when the new store opens and the supply of craft material increases? Will the price continue to rise or will it fall?"

The accountant showed Samantha a graph to explain what would probably happen. "The line marked D on the graph represents the present demand for the craft materials. The line marked with S' represents the supply of craft materials before the new store opens. These two curves show us the exact location of the price charged now for the materials, marked P' on the graph. When the new store opens the supply of craft materials will shift to the right. The new curve is marked S". Notice that the new equilibrium price, marked P" is lower than the first one. So, unless you can do something to increase demand as well as supply, prices for the goods will go down."



What would you do if you were Samantha? If she chooses to try to increase the demand for her products, what methods can she use to do this? What do you think will happen to her profits?

SUPPLY, DEMAND, AND PRICE WORKSHEET

For each event, predict what will soon happen to supply (S), demand (D), price (P), quantity supplied (QS), and quantity demanded (QD). If it increases, put + in the blank. If it decreases, put - in the blank. If it is not affected, put 0 in the blank.

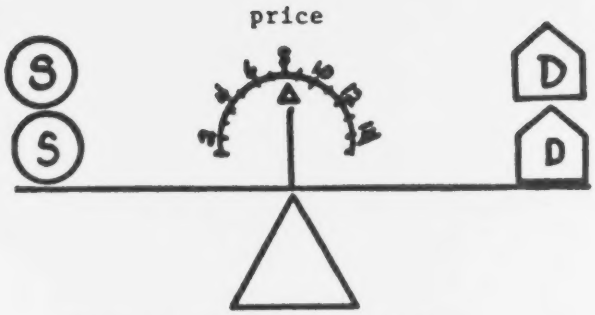
	D	S	P	QD	QS
1. Market: tomato All the major tomato producers meet and decide to grow fewer tomatoes next season.	___	___	___	___	___
2. Market: tomato Farmers plant more acres of tomatoes.	___	___	___	___	___
3. Market: tomato The U. S. Surgeon General issues a report substantiating that stewed tomatoes can prevent the common cold.	___	___	___	___	___
4. Market: tomato Some producers stop growing tomatoes in order to grow popcorn.	___	___	___	___	___
5. Market: tomato The Washington tomato lobby gets Congress to guarantee tomato farmers a high price for their production.	___	___	___	___	___
6. Market: tomato A migrant farm workers' union conducts a successful campaign to convince the public to boycott unfair tomato growers.	___	___	___	___	___
7. Market: tomato Due to rapid inflation, the federal government reduces the price of vegetables even though production costs continue to rise.	___	___	___	___	___
8. Market: coffee Frost in the tropics seriously damages the coffee trees.	___	___	___	___	___
9. Market: coffee Coffee growing nations organize a cartel and agree on a high price for coffee.	___	___	___	___	___

	D	S	P	QD	QS
10. Market: coffee Several companies successfully market a boiled wheat drink in the United States.	___	___	___	___	___
11. Market: gasoline A $1.00 per gallon gasoline tax is imposed by the federal government.	___	___	___	___	___

WORKSHEET ANSWERS

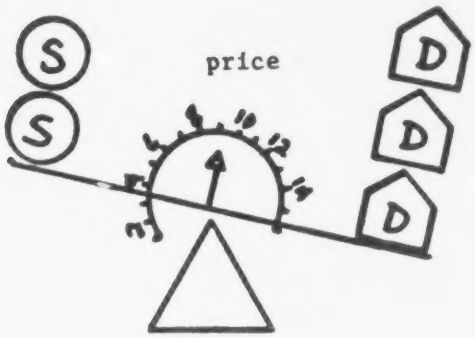
NOTE: Detach these answers before distributing the worksheet.

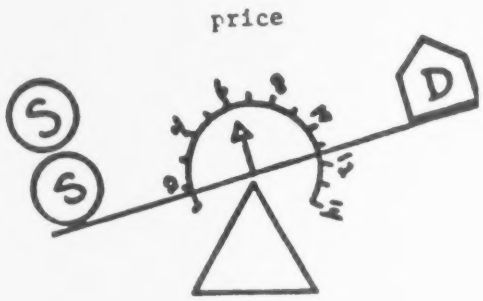
	D	S	P	QD	QS
1.	0	-	+	-	-
2.	0	+	-	+	+
3.	+	0	+	+	+
4.	0	-	+	-	-
5.	0	0	+	-	+
6.	-	0	-	-	-
7.	0	0	-	+	-
8.	0	-	+	-	-
9.	0	-	+	-	-
10.	-	0	-	-	-
11.	0	0	+	-	0



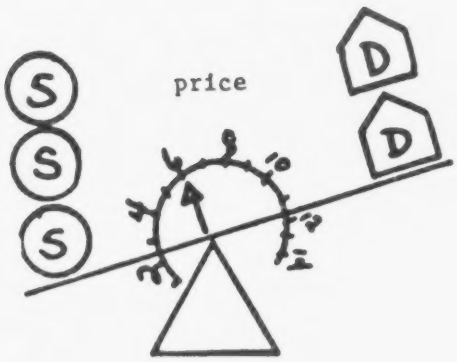
THE PRICE OF A PRODUCT
IS DETERMINED BY A COMPROMISE
BETWEEN SUPPLY AND DEMAND

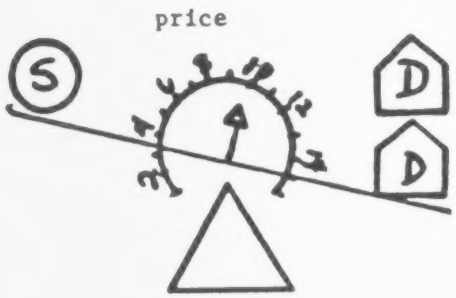
WHAT HAPPENS IF DEMAND CHANGES?





WHAT HAPPENS IF SUPPLY CHANGES?





SUBSTITUTES

Activity: Substitute Goods and Services (Concept Lesson)

Time Required: 20-25 minutes

Major Concepts: Substitute, elasticity of demand

Instructional Objectives:

(1) Define substitute.
(2) Identify examples of goods which can substitute for other goods.
(3) Identify from personal experience examples of goods substituted for other goods.
(4) Explain the effect of a good substitute on the demand for the original product in terms of elasticity of demand.

Rationale:

Often a less expensive good or service can be substituted for another more expensive good or service with satisfactory results. This activity teaches the concept of substitute good and sensitizes students to this phenomenon. Effective consumer behavior includes seeking substitutes to maximize the productivity of one's scarce time and money.

Procedures:

Define substitute as a good or service that can be used in place of another good or service to satisfy the same want. For example, use the products butter and lightbulbs to illustrate a product which has a good substitute and one which does not have a good substitute. Ask the following questions: Is there a good substitute for butter? In what ways can margarine substitute for butter? Is margarine not as good as butter in any way? Is margarine better than butter in any way? Do you think most people would consider margarine a good substitute for butter? Is there a good substitute for a light bulb? Is a candle as good as a light bulb? Is a candle better than a light bulb in any way? Would most people consider a candle a good substitute for a light bulb?

Ask students to list products or services that they might substitute for another and ask them to evaluate the effectiveness of the substitute. You might get them started by mentioning substituting "no label" clothes for "designer" clothes, cereal for eggs, chicken for beef, and hair cuts at home for beauty shop styling.

Ask the following questions to lead students to insights about elasticity of demand. Since there is a good substitute for butter, what effect will this have on the demand for butter? (Demand will be flexible.) If butter doubles in price, will you continue to buy it? Do you think most people would continue to buy it? If it triples in price, what would most people do? (Switch to margarine.) If butter gets very cheap, would you buy it instead of margarine if it were cheaper than margarine?

Explain that the demand for butter is very flexible and can change a great deal because of the availability of margarine. Economists use the word "elastic" to describe demand like this. Since there is no good substitute for light bulbs, what will happen to the demand for light bulbs if they double or triple in price? Demand might decrease a little because people will be more careful not to leave the lights on. However, demand for light bulbs is much less flexible than demand for butter because there is no good substitute for light bulbs. Economists call this kind of demand "inelastic." What are some more examples of goods and services for which demand is elastic? What are some examples for which demand is inelastic?

Activity: The Board Must Decide (Role Play)

Time Required: 34-45 minutes

Major Concepts: Elasticity of demand, decision making

Instructional Objective:

(1) Given rising costs of production due to inflation, decide how much to raise the price of a good or service considering the elasticity of its demand.

Rationale:

Consumers often believe that businesses are relatively free to raise prices in order to pass on to customers the effects of inflation or increases in the costs of production. However, differences in the elasticity of demand from one product to another make the decision to raise prices much more difficult for some businesses than others. This activity will demonstrate this effect of elasticity of demand.

Procedures:

Divide the class into groups of four or five. Each group represents the Board of Directors for a company. Each group should choose a name for their company. Some groups should choose a product with a good substitute. Other groups should choose a product without a good substitute. The situation is that inflation has caused costs in all the companies to rise and the Boards are meeting to consider the possibility of increasing the prices of their products. Give the groups fifteen to twenty minutes to discuss the price increase and come to a decision. They should use a decision making grid. Then have a spokesperson from each group report to the class the decision they made and why they made it. Compare the possible differences in their decisions. Ask students in the other groups what they would do as consumers of each product if the decisions were implemented.

Activity: Elasticity - Inelasticity: A Continuum (Independent Study)

Time Required: 15 minutes of class time

Major Concepts: Elasticity, inelasticity

Instructional Objectives:

(1) Place ten products on a continuum ranging from highly elastic demand to highly inelastic demand.
(2) Explain rationales for placing products on the elasticity continuum.

Rationale:

This activity provides students with practice in assessing the elasticity of demand for various products.

Procedures:

Explain to the students what a continuum is if they don't already know. Tell them to make a continuum with the word "elastic" at one end and "inelastic" at the other. Then they are to think of ten products that they buy (or are bought for them) and place them on the continuum according to how elastic or inelastic their own personal demand for each product is. It's best to stick with small items such as shampoo, hamburgers, make-up, records, and gasoline that are purchased often. After they have put the ten products on their continua, ask for volunteers to read what they did and discuss these responses with the other class members.

Activity: Monopoly Isn't a Game, It's Serious Business (Case Study)

Time Required: 40-50 minutes

Major Concepts: Monopoly, competition, economies of scale, price fixing, restraint of trade, oligopoly, monopolistic competition

Instructional Objectives:

(1) Define monopoly and competition.
(2) List the advantages and disadvantages of competition and monopoly.
(3) Select conditions, if any, in which monopoly is justifiable.

Material: "Monopoly Isn't a Game, It's Serious Business" case study (pages 75-77)

Rationale:

The economic welfare of consumers is affected seriously by the market structure of various industries. Monopolies and what to do about them are frequently in the news and public debate and decision making are periodically required. This activity will clarify some of the issues and provide a basis for discussing market structure issues that are currently prominent.

Procedures:

Ask students to state definitions of monopoly and competition. Ask them to look up the meanings of the words oligopoly and monopolistic competition and place them in the appropriate place on Mr. James' continuum. Ask students to come up with examples of oligopoly and monopolistic competition. Discuss how things would be different if some monopolies were broken up, for example, trash collection, schools, fire fighting, local telephone service, and cable television. Discuss how things would be different if monopolies were allowed. Most students will regard price fixing and restraint of trade practices as morally wrong. Encourage them to identify reasons a businessperson would consider price fixing and restraint of trade a morally good thing to do under some conditions. Discuss the problems of an auto service station owner during a gas price war. How would a medical doctor feel if anyone could start a medical practice regardless of training and qualifications and charge whatever he or she wanted? In addition to selfish motivations, there can be socially responsible motivations as well. Identify a current market structure issue for class consideration.

Activity: Competition, Monopoly, Oligopoly, and Monopolistic Competition (Concept Lesson)

Time Required: 30 minutes

Major Concepts: Competition, monopoly, oligopoly, monopolistic competition, continuum

Instructional Objectives:

(1) Define pure competition, pure monopoly, monopolistic competition, and oligopoly.
(2) Place different industries on a continuum according to the degrees of competition in the industries.

Rationale:

Industries vary greatly in the degrees of competition present within them. This activity will sensitize students to these variations and provide a background for discussion of market structure issues in class and in public.

Procedures:

Present the following definitions:

Competition: Market structure in which (1) there are many buyers and sellers (example: agricultural markets), (2) the individual sellers have no control over the market price of the product, (3) there are no pricing agreements, (4) firms are free to enter and leave the industry (example: beauty salons), and (5) the product sold is homogeneous (example: graded concrete - absolutely identical to all other concrete of the same grade no matter who sells it).

Monopoly: Market structure where (1) there is only one seller of a good or service (example: a company providing electricity to an area), (2) the seller has the power to set prices, (3) entry into the industry is very difficult (in the case of regulated monopolies like electricity, entry is impossible according to the law), and (4) the product is homogeneous because there is only one producer.

Monopolistic Competition: Market structure in which (1) there are still numerous sellers of a product (but not as many as in competition), (2) it is still fairly easy to enter and leave the industry (for example, restaurants where it is somewhat more expensive to provide capital equipment and labor, and you must meet certain sanitation standards), (3) the buyers have little control over prices, and (4) products are differentiated (for example, toothpastes have differences in taste, consistency, and effectiveness).

Oligopoly: Market structure in which (1) there are only a few sellers (for example, automobile industry), (2) the sellers have some control over prices, (3) entry into the industry is fairly difficult (for example, patents might limit the producer to one, professional standards might restrict entrance into a certain career, very expensive capital equipment or the need for workers with a very rare skill might make it difficult to enter an industry), and (4) there are some differences in the product produced.

Continuum:

Competition	Monopolistic Competition	Oligopoly	Monopoly

Explain to the students what a continuum is (if necessary) and draw the continuum on the chalk board or overhead projector. Ask the students to think of individual industries and try to place them on the continuum in the proper place, explaining why each one is placed where it is. Alternatively ask students to place the industries listed in the Industry Concentration table below on the continuum and test their hypotheses with the data.

Industry Concentration

Industry	Percent of Total Production	
	First 4 companies	First 8 companies
Motor Vehicles	93	99
Blast Furnaces & Steel Mills	45	65
Newspaper	17	28
Petroleum refining	31	56
Misc. plastic products	8	12
Bread and cake products	29	39
Misc. machinery (except electrical)	4	5
Meat packing plants	26	39
Tires & inner tubes	73	90
Refrigeration machinery	40	53
Women's dresses	9	13
Paper mills	29	44
Radio & TV sets	49	71
Motor Vehicle Parts and accessories	61	69

Source: Department of Commerce
Bureau of the Census

Activity: Standing Out: Non-Price Competition (Small Group Work)

Time Required: 20-30 minutes

Major Concept: Non-price competition

Instructional Objectives:

(1) Identify features which have been added to products for the purpose of non-price competition.
(2) Create an advertisement for a product which stresses non-price competition.

Rationale:

Even when competition is rampant in an industry, producers still hope to create a kind of monopoly. This is done by adding distinctive but functionally unimportant features to make a particular brand seem better than others. This activity will sensitize students to these efforts and help them consider these added features more rationally when making consumption decisions.

Procedures:

Present this information to the class. A producer in a perfectly competitive market is called a "price taker" because he has to take the price set by the market. In other words, the interaction of supply and demand sets the price of the product and no individual manufacturer can change that price and stay in business. So these manufacturers cannot compete with others in the same industry on the basis of price. They have to find other ways to compete and this is called non-price competition. For example, assuming perfect competition in the toothpaste industry, firms have found ways other than price to compete with one another: there is MFP flouride in one, breath freshener in some, mint flavor in some, three colors in one, and a distinctive container for another. Then the individual producer sets out to convince people that it's own particular distinctive feature is a good reason to buy a product.

Have students work in groups of two or three.

I. For each of the following basic products, list two or three special features which have been added to the product for the purpose of non-price competition:

a. laundry detergent

b. soap

c. shampoo

d. mouthwash

e. milk

f. dog food

g. pens

h. jeans

II. Choose one of these products and draw an advertisement for it which stresses non-price competition.

MONOPOLY ISN'T A GAME, IT'S SERIOUS BUSINESS

My name is Joe Mullins and I am taking a course in economics at Central High School in Atlanta, Georgia. My teacher has assigned a project to me in which I must interview several people about their attitudes concerning monopoly and competition. Frankly, I don't know much about either of these and I don't really think they're very important. But, you know, you have to keep those teachers happy, so I guess I'll give it a try. Dad works for a man who owns his own business so I guess I'll make an appointment and talk to him first. Let's see, his number is 555-6192--hmm--seeing the phone reminds me that there has been talk of monopoly and such in the break-up of AT&T, you know, Ma Bell. Wonder if Mr. James knows anything about that . . . (Later at Mr. James' business).

Joe: Mr. James, I'm doing a project in my economics class in which I have to interview people about their views on competition and monopoly. Can you tell me how you feel about them?

Mr. James: Well, Joe, I have to deal with questions concerning competition and monopoly every day in one form or another. My life as a business owner would be much easier if there were no such thing as competition. You understand why, don't you?

Joe: Well, uh, maybe I don't understand much about competition or monopoly.

Mr. James: Well it's best to visualize these concepts on a continuum. You know what that is?

Joe: Well, uh . . .

Mr. James: A continuum is just a line on which you put two opposite concepts on the ends. Then you can put an individual situation on the line according to the degree of the opposites that it contains. Here, let me show you.

Pure Competition _____ Pure Monopoly

It looks like this, and in our case we're going to put pure competition on one end and pure monopoly on the other end. It's hard to find examples in the real world of either pure competition or pure monopoly. But you could take all the businesses in the country and put them on this continuum according to how close they are to either extreme.

In a pure monopoly, there is only one supplier of a product. Obviously, I'd like that situation, because then I could charge as much as I wanted for my product. If people wanted the product, they'd have to meet my price. Other advantages would develop from this too. For one thing, if I were the only supplier, then my business would be much bigger and I could benefit from economies of scale. Do you know what that means?

Joe: Well, uh . . .

Mr. James: In other words I could save money by doing things like buying large quantities of needed resources and therefore getting a better price. Or I could fully utilize my factory by having three shifts and using it twenty-four hours a day. Things like that.

Every businessperson would like to have a monopoly. Many of them have tried illegal methods to get a monopoly, like pools and interlocking directorates, but the government watches for these things pretty carefully now-a-days.

Joe: Well, monopoly really would help you. Are there any legal ways to create one?

Mr. James: In a way, yes. A patent gives an inventor of a product a temporary monopoly so if my company develops a new product, we can enjoy monopoly status for that for a while. Also, we are always trying to make our product absolutely unique so that we can tell customers that they can't buy any product that is as good as ours. If they believe us, then we've created, in effect, a little monopoly in the minds of individual buyers. This, of course, is perfectly legal as long as we don't make any false claims for our product.

Joe: Monopoly sounds so good, it just seems stupid not to allow it. Why would anybody be against it?

Mr. James: Well, I told you one side of the issue, now you need to find someone else to give you a rebuttal to my views. I suggest you go downtown to the Office of Consumer Affairs and ask them what their views are on competition and monopoly.

Joe: O.K. Thanks, Mr. James.

Joe: My name is Joe Mullins, Ms. Louden. I'm doing a project for my economics class in which I have to survey several people about their attitudes toward monopoly and competition. I just talked to a small businessman and I just don't see why monopoly is illegal. If it helps business then businesses will do well and that will make our economy strong. Isn't that what we want?

Ms. Louden: Think about what he told you, Joe. You and all the rest of us are consumers. Do you want to buy your goods from a company that has a monopoly?

Joe: Well, I guess since a monopoly can charge whatever it wants to, prices would be higher, wouldn't they?

Ms. Louden: They certainly would be. Now put a competitor in with that monopolist and let's see what happens. The competitor will want to "steal" some of the monopolist's business from him so he'll likely

charge lower prices. This causes the monopolist to come down on his prices too. The competitor might even be able to cut prices again because he has come up with a more efficient way to produce the product. This forces the monopolist to adopt the more efficient process too. So we have not only lower prices but also more efficient use of resources too. Do you suppose the monopolist has the same kind of incentive to use resources efficiently?

Joe: Definitely not! I hadn't thought about that. You know, Mr. James told me that every business tries to create a totally unique product in order to create its own little monopoly by claiming that its product is better than any other. So I guess competition encourages businesses to come up with a lot of new products and improvements on existing products, right?

Ms. Louden: Sure! So competition encourages lower prices, more efficient use of resources, and greater variety. But there's one more thing too. What incentive does the monopolist have to produce a high quality product?

Joe: Well, I suppose that would be up to his own ethical standards, which might not be too reliable when it comes into conflict with the desire for profits.

Ms. Louden: Exactly, so add higher quality to the list of benefits we get from competition. Of course, there is a cost for these benefits. The business often can't take advantage of economies of scale since products are produced by many companies instead of just one, but it is generally accepted that this cost is worth it to get the benefits.